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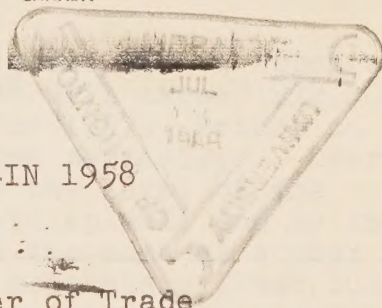
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No. 59/1

REVIEW OF CANADA'S ECONOMY IN 1958

by

Mr. Gordon Churchill, Minister of Trade
and Commerce, December 29, 1958.

As 1958 draws to a close, there are many signs of renewed economic growth in the free world and particularly in North America. At different stages within the past two years, most areas of the world have encountered some easing in the tempo of economic activity. This interruption was relatively more pronounced in the United States than elsewhere. Business conditions in that country underwent a relatively sharp, but short, set-back during the period from late summer 1957 to the spring of 1958. Although the subsequent recovery has been rapid, over-all output for 1958, as a whole, has been below the level of the preceding year. The adverse effects upon the rest of the world of reduced activity in the United States have been less consequential than might have been expected. During this period, imports into the United States declined less than either exports or industrial production. Partly as a result of this decline in the trade balance of the United States and also reflecting the high level of foreign investment and aid, reserves of the non-dollar trading areas have increased substantially. Notwithstanding improved international liquidity, reduced activity in the United States and moderately lower factory output in a number of other industrial countries has been reflected in a decline in world trade from the 1957 level.

As a major supplier to the United States and other manufacturing countries, Canada could not escape the adverse effects of this world-wide decline in production. Material-producing industries, in particular, encountered a fall-off in demand for their products. Nor were these effects confined to export shipments. They have also exerted a dampening influence upon business investment which has been accentuated because of the fact that much of the build-up in productive capacity in recent years has been concentrated in export-oriented industries.

Considering the severity of the impact of these adverse influences from abroad, the pace of economic activity in Canada has been remarkably strong. Weaknesses in some areas of demand

have been offset by increasing strength in others and business conditions have in general remained favourable. The downward trend in overall production and employment, in evidence in the closing months of 1957, was checked early in 1958. Despite Canada's sensitivity to world market influences, the extent of contraction in the Canadian economy was of much smaller dimensions than in the United States.

On the basis of nine-month figures, it now appears that Canada's Gross National Product for 1958 will exceed \$32,000 millions, 2 per cent above the figure for 1957. Prices on average have increased by almost the same percentage. Overall production in volume terms has equalled the level of the preceding year. Employment also has held up well and by the last quarter, jobholders numbered about the same as a year ago. Industrial employment has been running moderately lower but this has been offset by a further filling out in service occupations. The labour force has grown at a slower rate this year, reflecting a level of immigration less than half that of 1957. Unemployment has been higher but the percentage increase from the same date a year ago has been narrowing sharply.

Foreign Trade

Despite conditions of ample supply in world-commodity markets, Canada's sales abroad have not followed the downward trend of world trade at large. Total exports in 1958 have remained at about the same level as in the preceding year. Substantially increased sales have been achieved for several commodities. Prominent among these is wheat, exports of which reached 316 million bushels in the crop year 1957-58 - up from 267 million bushels in the preceding year. Sales in commercial markets accounted for a good part of this increase. The improved protein quality of the 1957 and 1958 crops has been an important factor contributing to higher sales. Shipments made to Colombo Plan countries under long-term credit and aid arrangements have further added to the total movement. Barley also has been exported in larger quantities during the past year, most of the increase going to the United Kingdom. Canadian beef has been moving into the United States market in substantially increased volume to supplement drought depleted supplies in that country. The annual export value of this item has surpassed the \$100 million mark for the first time since 1950. Among Canada's newer exports, sales of uranium have risen more than two-fold since last year to a figure well in excess of one-quarter billion dollars annually. With the delivery of natural gas through the West Coast transmission line, the export value of this item is fast approaching the \$20 million level. Within the category of manufactured goods, deliveries of military aircraft to NATO countries have added more than a \$100 million to exports during the past year. Among Canada's more traditional markets, sales of farm implements to the United States have been substantially higher during 1958. Increases in the value of exports of the foregoing items have roughly offset declines in a number of Canada's principal forest and mineral export commodities. On

the whole, the reduction in exports of industrial materials has been relatively moderate when considered in relation to the decline in industrial activity in the United States.

Imports into Canada, on the basis of figures available to date, are about 10 per cent lower in 1958 than in the preceding year. A more moderate pace of industrial activity in Canada and reduced outlays for plant and equipment have involved widespread declines in imports. Smaller outlays for industrial materials, machinery and related investment goods have accounted for most of the reduction in total purchasing from abroad. Some consumer good imports have declined also, particularly cotton and woollen products and North American-type cars and parts. Geographically, nearly all of the reduction in total imports is accounted for by the fall-off in purchases from the United States. Imports from the United Kingdom, which in 1958 have included substantially larger shipments of automobiles and commercial aircraft, have held about even with the previous year's level. Consequently, Britain's share in Canada's import market has increased from 9 to 10 per cent. Purchases from other major overseas trading areas also have been reasonably well maintained. To this extent, the reduction in Canada's requirements from abroad has not reacted to the detriment of her principal overseas customers.

A sustained level of merchandise exports, and lower imports, have entailed a substantial decline in Canada's merchandise deficit which for the first 10 months of the year stands at \$242 million, compared with \$733 million for the same period in 1957. Most of this reduction has occurred in the commodity deficit with the United States which has declined from \$983 million to \$589 million. On the other hand, Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has been increasing. For the first nine months of 1958, Canada's deficit with the rest of the world on all current transactions amounted to \$795 million, compared with \$1150 million in the same period of the previous year.

Capital Investment

At mid-year, capital spending plans, both private and public, provided for outlays of \$8.5 billion in 1958. House-building has proceeded more rapidly than anticipated at that time. Capital expenditures of other types appear to have reached and possibly exceeded the level previously indicated. Overall capital outlays for the year may fall but little short of the record \$8,700 millions spent in 1957.

Though little changed in total, there has been a substantial shift in the composition of capital outlays in 1958. Much of the recent build-up in mineral and forest product industries had been completed by the end of 1957 and expenditure of this type has been down substantially. On the other hand,

large outlays have been involved in the late construction stages of the St. Lawrence Seaway and the Trans-Canada gas pipeline system. Power development also has held close to the record pace of last year. Expansion in the fields of trade, finance, and other service industries has continued at an undiminished rate. At the same time, institutional and government building has continued upward in response to the growing need for additional facilities.

Most noteworthy of all has been the spectacular rise in housebuilding. It is estimated that housing starts for the year will approach the 160,000 mark, 30 per cent more than last year and well above the previous record of 138,000 units in 1955. Close to 150,000 dwelling units have been completed. A much increased carryover of unfinished houses at year-end will give an important lift to employment during the winter. The current upsurge in housing activity began in the latter part of 1957. At that time, minimum requirements for loans obtained under the National Housing Act were relaxed and large federal sums were made available for mortgage purposes. An important factor contributing to the sustained high level of housebuilding throughout 1958 has been the improved availability of mortgage funds from private sources.

Because of the changed make-up of overall capital expenditures in 1958, the programme has had a somewhat altered physical impact upon the economy. With less expansion in material-processing industries, outlays for machinery and equipment have been lower. Although much of the impact of this reduction has fallen upon imports, it has resulted also in a lower level of activity in machinery-producing industries. On the other hand, there has been a considerable increase in construction work, particularly building construction. This type of investment has a relatively low import content and, accordingly, the demand-creating effects of the greater volume of work have been felt primarily in domestic industries. The additional demand for labour and materials arising from the increase in building construction has, in fact, been one of the principal stimulating forces in the economy during 1958.

Incomes and Consumer Expenditure

Another factor having an important sustaining effect upon general activity during the past year has been the high level of consumer spending supported by rising personal incomes. Of the principal forms of income, social security payments and other types of government transfers to individuals contributed more than any other category to the increase in current purchasing power. On the basis of nine-month figures, payments of this type have been running more than one-fifth higher this year compared with last. Farm income has shown a similar percentage gain mainly as a result of substantially larger livestock marketings. Certain categories of investment income also have increased quite sharply. The percentage rise in employee

earnings, on the other hand, has been of more moderate proportions. Slightly lower employment together with a moderating upward trend in wage rates have resulted in a 2 per cent increase in labour income. Personal income, in total, increased by about 5 per cent between 1957 and 1958. Personal direct tax payments have been lower so that income left at the disposal of individuals has risen by about 6 per cent. Per capita income in real terms has maintained an upward trend.

Consumer spending in 1958 has increased by about 4 per cent from the level of the previous year, reflecting mainly higher outlays for food and other soft goods, services, and certain durable lines. Of the major consumer items, automobiles is the only one to show a significant decline. While spending more, Canadians have also been saving more. As a proportion of disposable income, personal savings have increased from 7 per cent in 1957 to about 9 per cent in the current year, much of this in liquid form. This is one of the highest ratios on record for a peacetime year. The financial position of consumers, on average, has been strengthening while living standards have been maintained.

Industrial Conditions

The changing pattern of market demands during the past year has resulted in quite divergent conditions among Canadian industries. Many consumer lines, construction, and related material-producing industries have had a good year - in some cases a record one. On the other hand, most durable goods producers and export processing industries have experienced set-backs. In aggregate terms, shipments from domestic sources have declined less than imports, but in some manufacturing lines import competition has been felt keenly.

Among the consumer-based industries, the food-processing group has had an unusually busy year as a result of rising domestic demand and increased marketings of livestock and other farm products. In fish products industries, the tremendous sock-eye salmon catch in B.C. was the highlight of the year; however, landings on the East Coast have been down. In the clothing and textile trades, a high level of purchasing at retail has been accompanied by a quite substantial drawing down of stocks, and output in the industry has declined temporarily. In the case of cotton and woollen fabrics, imports have shown about the same percentage fall as domestic shipments, indicating that most domestic producers have been holding their own against foreign competition. In synthetic lines, however, domestic manufacturers have witnessed a further diminution in their share of a somewhat smaller market. Leather goods manufacturers, on the other hand, have maintained a fairly steady volume of business. Automobile producers have been affected by a moderate decline in total sales in the Canadian market and also by quite substantial inroads on the part of European-type cars. In the first nine months of 1958, automobile and

truck production fell off by about 18 per cent; however, output has picked up in the last quarter. Household appliance producers, on the other hand, have enjoyed a stronger market this year and in all major lines (except refrigerators) have held their own against foreign competition.

A number of Canada's principal material-producing industries have had a lower level of output in 1958 because of declining export demand. These include pulp and paper, nickel, asbestos, petroleum and iron ore. For certain other items, such as copper, lead and zinc, output in tonnage terms has been maintained, but lower prices have meant substantially reduced dollar sales and profits to producers. The market for lumber products, on the other hand, has improved in 1958, mainly in response to the upsurge in domestic housing but also reflecting larger shipments to the United States. Some mineral industries also have done better. Gold production is up moderately. More natural gas has been needed to provide for expanding domestic and foreign outlets, and uranium output has moved up to the level provided for under-existing contractual arrangements. While the Canadian market has absorbed substantially less steel this year, most of this reduction has fallen on imports. Although operations in the primary iron and steel industry were affected for a time by a strike shut-down, otherwise the operating rate has been considerably higher in Canada than in the United States. In chemical industries, total shipments have increased moderately despite a decline in exports of fertilizers and plastics.

Conditions in Canada's major equipment industries reflect the decline in business investment and no significant increase in new orders has yet occurred. An important exception is the farm implement industry which has raised its level of operations during 1958 mainly as a result of increased sales in the United States market and higher farm incomes in Canada.

Prospects for the Coming Year

Of the industries which had previously suffered a decline, most have experienced some degree of improvement by year-end. In aggregate terms the pick-up in production to date has been quite moderate. There is, however, strong indication of a further expansion in market demand. Partly as a reflection of this improvement and also contributing to it, is the fact that inventory liquidation is now coming to an end. In the first part of 1958, the tendency to meet orders by a drawing down of stocks was quite prevalent throughout a broad segment of Canadian industry. Conditions in this respect still vary from one trade to another. On balance, however, it now appears that the full impact of market demands are being reflected in new orders at the producer level. Operating levels are rising in a number of industries and this, in turn, is having a favourable effect upon earnings. In the months immediately ahead, this underlying improvement will be masked by the customary winter slow-down in outside operations, accompanied by a relatively high level of unemployment. Nevertheless,

construction activity is likely to be higher than usual this winter, partly due to the record carryover of unfinished houses and also as a result of the special measures which have been taken to stimulate off-season work.

The strength of further recovery will depend in large part upon external influences. In this regard, recent economic developments in the United States are encouraging. Production, in that country, has already recovered nearly all of the previous decline, and employment, after making allowance for usual seasonal changes, is now moving upward. Moreover, the present upswing appears to be broadly based and prospects of sustained expansion are generally considered to be good. Increased activity in the United States will, in turn, reinforce measures being taken internally in other industrialized countries to stimulate stronger rates of growth. Recent additions to hard currency reserves means that, in a number of these countries, some rise in domestic consumption could occur without strain on foreign balance positions. In these circumstances, some upturn in world demand for industrial material is likely to occur during the coming year. With greatly increased capacity in export industries and expanded reserves of proven resources, Canada is better equipped than ever before to meet increases in requirements from abroad. For the present, many of the commodities of importance in Canada's export trade are in ample supply and this is being reflected currently in export levels. In general, export markets may be expected to strengthen as the year passes.

In recent months, new capital expenditure plans have been appearing in increasing volume. In terms of the actual amount of physical capital being put in place, this rising volume of new work may not for a time fully compensate for the termination of work on large projects now being completed. What is presently known of capital expenditure plans for 1959 indicates that business investment will be up in some sectors but moderately down in total. However, a period of improving business conditions tends to encourage the creation of new expansion programmes and the speeding-up of existing ones. In the current situation, there is likely to be a further filling out of business investment intentions affecting the short as well as the longer term. Meanwhile, outlays for institutional building and public projects are continuing to increase. In aggregate, capital spending in 1959 may be only slightly less than in the current year. A further rise in the proportion of total outlays spent on building construction, as opposed to engineering construction and industrial equipment, appears probable. This means that the domestic content of the programme will remain relatively heavy.

Perhaps the sharpest impetus to demand in the period immediately ahead will come from the consumer. This new punch may be sparked by the resurgence of consumer interest in durable goods, particularly automobiles, sales of which have been lagging in the last two years. Also, the rising volume of housing completions will give further momentum to the upward trend in

purchases of home appliances. New incentives to buy will be reinforced by the improved financial position of consumers and the continuing rise in personal incomes. These conditions augur well for the enterprising retailer.

All in all, the current improvement in economic conditions is proceeding on a sound basis. The upward movement of wage rates has moderated, but employment prospects are improving and purchasing power at the disposal of the wage earner is being maintained. Prices of materials have firmed, but with capacity being ample, have not surged upward. At the same time, output in many industrial establishments is moving closer to the optimum level of plant operation. These developments should help to restrain the upward pressure on prices and also contribute to some recovery in business earnings. The market forces which have been described give promise of a progressive increase in physical demand, yet give little indication of an upsurge of boom proportions. In the continuation of such a balanced improvement lies the hope of achieving prolonged and steady growth.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
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THE ECONOMY: RETROSPECT AND PROSPECT

A speech by Mr. Donald M. Fleming, Minister of Finance, to the Canadian Club of Toronto, at the Royal York Hotel, on January 5, 1959.

It is a great pleasure to return to this Club of which I have been a member for so many years, and of which I had the honour for a time to be an officer.

I was very pleased when our President, last August, invited me to speak at the first meeting in this new year and to deliver a forecast of business and economic conditions for 1959. The timing of his invitation is a mark of the sagacity and foresight of the President. Perhaps if the invitation to attempt this forecast had been delivered more recently, my acceptance of it might not have been quite so readily forthcoming. Nevertheless, I do welcome this opportunity to review and assess the leading economic events and trends of 1958 and to estimate as best we can the strength and probable trend of these forces during the new year upon which we have now entered. The Roman god Janus, after whom this month is named, was always represented at the threshold of the temple with two faces, looking in opposite directions. It is appropriate that at this time of year we look back at the recent past and forward to the early future and guide our courses accordingly. The continuity of history is not changed simply by an alteration of a digit in the date.

Not a Budget Speech

I know I do not need to remind you that under our constitutional system a Minister of Finance must observe some very severe restrictions in the scope of any forecasting in which he indulges, except in his annual Budget presentation to the House of Commons. While he may and should at times comment upon the forces at work in the economy, it would be highly improper for him to relate such factors, in a public utterance, to future financial plans.

Conflicts in the Economy

We behold in the economy of this continent today a strange co-existence of conditions normally associated with inflation and conditions normally associated with deflation. I suppose there never has been a time when contrary forces were so openly at work in conflict with each other in the economy, as in recent times. In the winter of 1957-58, we witnessed a relatively high level of unemployment and evidences of recession in business activity which happily yielded in the spring of 1958 to stronger and healthier forces in the economy. Even with continuing unemployment, we must be aware of inflationary forces present in the economy. The concurrent existence of higher than normal unemployment and a disturbing inflationary potential is puzzling and confusing economic observers, not only in Canada, but, as I observed in my travels last autumn, in many other countries.

The next factor of which full account must be taken is that the Canadian economy cannot be isolated from world influences. As an exporting nation, we are sensitive to changes in the economic climate in various parts of the world; we are particularly vulnerable to financial and economic trends in the United States. We have been inescapably reminded of this factor in the year just closed.

Events of 1958

An economic review of the year 1958 must recognize the primary importance of two events, both of which augur well for the future prosperity of Canada. In the first place, it is now widely recognized that the spring of 1958 marked the bottom of the recession in North America and that economic activity is once again on the increase. Secondly, the Commonwealth Trade and Economic Conference which took place in Montreal in September confirmed our most optimistic hopes about the strength and cohesion of this great Commonwealth association of free nations. It is perhaps fair to say that the ground work was laid in Montreal for the pursuit by the Commonwealth of a more vigorous role in the larger task of bringing about a prosperous and expanding world economy.

From the Montreal Conference emerged agreement on the desirability of the restoration, as soon as possible, of convertibility of exchange, the removal of discriminations and restrictions against imports from dollar countries, and the enlargement of the resources of the International Bank and Fund. As a sequel to the Montreal Conference and the later meetings at New Delhi has come a gratifying series of recent announcements. The United Kingdom and other countries of Europe have taken important steps toward convertibility and removal of discrimination, and it now seems assured that the resources of both the Bank and Fund will soon be substantially increased. These important developments promise bright opportunities for energetic

Canadian exporters and should go far to fulfill the goal of the Montreal Conference, "an expanding Commonwealth in an expanding world economy".

To obtain a perspective on developments during 1958, it is necessary to refer very briefly to the overall economic trends during recent years. The record-breaking expansion in Canada in 1955 and 1956 had been characterized by an immense business capital investment boom which had its origin in a rapidly rising world demand for industrial materials. In early 1957 it became apparent that many commodity markets were moving into a position of over-supply. This had the effect of dampening plans for further expansion in the resource industries, and as the mood of caution developed it spread to other industries. By the end of 1957, inventory liquidation began to make itself felt, with the result that a portion of total demand was being met from existing stocks rather than from new production.

These developments led to a noticeable decline in economic activity, particularly in the durable goods manufacturing sector. By December 1957, industrial production had fallen 7 per cent below peak levels. After a short period of hesitation, output began to show some strengthening in April 1958, and in the third quarter of 1958 industrial production was at a level about 2 per cent above the previous low point. Industrial employment, after adjustment for seasonal variation, declined between August 1957 and March 1958, but gained during the succeeding six months.

The inventory liquidation which prevailed in 1957 gave way in recent months to inventory accumulation.

Canadian experience was, to a marked extent, influenced by economic conditions abroad. The industrial countries of Western Europe underwent a period of slackening growth in 1957 and 1958, and there was a short but relatively sharp economic recession in the United States. These factors were reflected in a reduction of the demand for raw materials from third countries, and the consequent decline in foreign earnings, particularly for countries dependent on primary production, had an adverse effect on the international trade in industrial goods.

Events in the United States have, of course, an important bearing on world economic conditions and especially on Canadian economic developments because of the large-scale movement of goods, services and capital between our two countries. It is therefore reassuring to see that during the course of 1958 the United States economy has been making a firm recovery, and it is encouraging to note that qualified commentators in

the United States are almost unanimous in predicting a sustained and accelerating upswing in 1959. At the same time, it is a fact of some importance that the recent contraction was more severe in the United States than in Canada. Industrial production in the United States fell by about 14 per cent before the decline was reversed, compared to a drop in output about half as large in this country.

Throughout the post-war period, population growth and the discovery of rich resources exerted a strong impetus on the Canadian economy, and these influences continued to be felt during 1958 despite the difficulties experienced since early 1957. Indeed, a variety of factors were at work, sustaining total Canadian production during the recent recession and contributing towards the current recovery. The most important of these were:- an all-time record in consumer spending; an all-time record in residential construction; an all-time record in our export trade; and, last but not least, a large and determined effort on the part of the Government to counteract slackness in the private sector of the economy through public works and other constructive measures.

Despite lagging production and employment, there was an almost continuous rise in personal incomes in 1957 and 1958. This made it possible for Canadians to expand their purchases of consumer goods and services while putting aside a relatively large proportion of their earnings in the form of savings. In the first nine months of 1958, personal incomes were 5 per cent higher than in the same period of 1957. This strength, in turn, contributed to a rise of 4 per cent in consumer outlays in the first nine months of 1958 compared with a year earlier. To an important extent, personal incomes were supported by substantially higher transfer payments from government, including increases in old age pensions, veterans' benefits, family allowances and unemployment insurance as well as assistance payments.

Residential construction, largely because of a shortage of mortgage funds, had declined severely in the second half of 1956 and first half of 1957. In the second half of 1957, the competition for loan funds from other investment outlets became less intense, and over half a billion dollars of government funds were made available to augment housing loans supplied by private lenders. Additional stimulus was provided by new federal legislation reducing down payments and lowering income eligibility requirements on homes financed under the National Housing Act. The actions taken by the Government in the field of housing were a major factor in bringing about a record level of housing starts for the twelve months' period beginning in the fourth quarter of 1957. In the first nine months of 1958, expenditures on residential construction were 28 per cent higher than in the same period of 1957. This increase, together with higher outlays by governments and institutions on community facilities, offset the greater part of the decline in business capital expenditures.

Notwithstanding the weakening of world markets in general and the downturn in the United States in particular, total Canadian export sales have been well maintained and for the first eleven months of 1958 slightly exceeded those in the same period in the previous year. Larger sales of wheat, beef, uranium, aircraft and farm implements were sufficient to balance the declines which occurred in the export of industrial materials. Stability in our exports was accompanied by a substantial reduction in imports, largely due to the fall in demand for investment goods. The decline in imports meant, of course, that the burden of economic adjustment in Canada was shared to some extent by our foreign suppliers. As a result of these overall trends the Canadian trade deficit for 1958 will be substantially reduced, and will indeed be lower than at any time in the last five years. The deficit in our trade with the United States will be little more than half of what it was in 1957.

In addition to the comprehensive federal programme in support of housing, the substantially higher government expenditures in the social security field and increased fiscal payments to the provinces, there were also widespread federal tax reductions during the last twelve months affecting the business community, provinces, municipalities and the individual taxpayer. Besides these measures, which served to underwrite purchasing power and thus strengthened production and employment, the Federal Government has made available to the provinces additional financial assistance for resource development. Furthermore, in the federal sphere the Government embarked on a greatly enlarged public works programme. Special encouragement has been given to construction work carried out during the winter months.

Finally, gross national product in 1958 attained the record figure of \$32 billion, precisely as was estimated last June in the budget presentation.

Canada Conversion Loan 1958 and the Bond Market

The principal event in Canadian financial history in 1958 was the Canada Conversion Loan operation. It was the largest and, I think I may say, the most successful financial operation in Canada's history. Let me remind you of the situation in which the decision was taken last summer to embark on this undertaking.

In April 1958, the rising trend in bond prices was arrested. Indications of economic recovery appeared, with its prospective concomitant of a growing demand for money from non-government sources. In the United States, worry about the size of the Government's deficit and borrowing requirements and fears of inflation emerged at an early stage, and a sharp and continuing decline in bond prices set in.

The last reduction in the discount rate of the Federal Reserve Banks of the United States was made on April 18. Bond prices in that country hit their peak on April 21. A decline then set in which was temporarily interrupted in the latter half of May, but then continued with little interruption until October 3. A further decline in bond prices began in the last week of November and has continued in that country up to the present time.

It is not to be expected that Canadian bond prices will always follow United States prices even in direction over short intervals, let alone in degree of movement, but undoubtedly developments in the United States are bound sooner or later to have a weighty influence on developments in Canada. And so it has been in 1958.

The average maturity of the public debt had been shortening for several years, both in the United States and Canada. The large volume of securities falling due for repayment each year was a matter of concern to fiscal authorities in both countries, and a serious handicap to the sale of new issues for cash in a period of government deficits.

By the end of June the market atmosphere was very unfavourable to new financing, yet the Government of Canada needed large sums of new money in the immediate future. Funds could be obtained as a last resort from the banks, with the Bank of Canada providing increased cash reserves to the chartered banks, but after the large scale purchases of government securities by the banks and corresponding monetary expansion in the preceding twelve months, this would have been regarded as dangerously inflationary, unless other steps could be taken simultaneously to deal with the public debt structure and make possible the sale of future issues of government bonds to non-bank investors. At the same time, some way had to be found to reduce the heavy proportion of short-term bonds and increase substantially the proportion of long-term bonds.

The five victory loans totalling \$6,416 million had ultimate maturity dates between January 1, 1959 and September 1, 1966. In addition, all these issues were callable on or before September 1, 1961. This prospect, in addition to non-victory loan maturities and the need for heavy new borrowings, made debt re-organization imperative, if a high degree of confusion and demoralization of the bond market was to be avoided and a sound basis created for financing Canada's expansion and development. The conversion of all five victory loan issues was more equitable, more efficient and less costly than a piece-meal approach.

Fundamental to the project was the idea that it would be easier to sell the public long-term bonds in exchange for bonds which they already held, than to sell them long-term bonds for cash. The prospective cash requirements of the Canadian Government for several years ahead were also a major consideration.

It was urgently important to improve the Government debt structure, to reduce the overhang of refinancing which would have to be done in addition to new money financing, and to put as much of the Government's debt as possible on a long-term basis.

The terms of the Conversion Loan were developed on the best advice, having regard for the objective, the erosion which had occurred in the market and the measures necessary to attract public investment in the long-term sector. The Conversion Loan was an overwhelming success. A total of more than \$5,803 million, or more than 90 per cent of the outstanding victory bonds, was converted.

The interest rates set on the new Conversion Loan bonds reflected the market yields prevailing at the time, while taking into account the size of the operation. Exaggerated and distorted statements have been made as to the burden which these higher Conversion Loan interest rates will impose. Such statements erroneously assume that each victory loan issue could have been refunded on maturity at a 3 per cent interest rate. The evidence is all to the contrary, especially having regard to the fact that the overhang on the market would still have persisted. Rates at the time of such refundings would almost certainly have been higher than is now the case.

The coupon rate on all of the victory loans was 3 per cent. The average coupon rate on all of the bonds converted is now 3.83 per cent. Since 61 per cent of the conversions went into the 14-year and 25-year maturities, and since, having regard to call dates, all of the victory loans were of three years or less maturity, this is a very satisfactory average coupon rate. The interest payable on the \$6,416 million of bonds before conversion was \$192,480,000. It is now \$240,705,000 -- an increase of \$48,225,000 or about 25 per cent.

The Conversion Loan was a constructive and stabilizing factor in the market, particularly in the long-term sector. The benefits of this influence accrue to provincial and municipal borrowers who would otherwise have had to face a high rate structure inevitably resulting from the uncertainty and imminence of these huge maturities overhanging the market.

I have said that the Conversion operation was an overwhelming success. It has earned the outspoken admiration of the governments of other countries. This success was achieved with the full co-operation of the Bank of Canada. Before the conversion, only 17 per cent of the Government of Canada's debt other than Savings Bonds was in maturities of over 10 years; after the conversion, fully 43 per cent was in such maturities. Before the conversion, 39 per cent of the debt other than Savings Bonds was in market issues with maturities of less than two years; after

the conversion, 25 per cent was in such issue's. The average maturity of the public debt other than Savings Bonds was lengthened from 6 1/6 years to 10 1/2 years in Canada, and is now double the comparable average maturity in the United States.

While prices of government bonds have declined in the last two months, the benefits of the Conversion Loan operation continue. I should add a comment on the market price quotations on the new Conversion bonds.

The Government at no time said it would support the current market prices on the Conversion Loan. While the Bank of Canada, acting as the Government's fiscal agent, normally operates in a manner to stabilize the "after-market" for a short period after each new loan, it is not the Government's policy to "support the bond market" over longer periods. The Government's obligation is to pay the fixed rate of interest on the Conversion Loan bonds and redeem them in full at maturity.

Far from having given any indication of supporting the market price of the Conversion Loan, the Government expressly disclaimed any such undertaking in the House of Commons. It is the play of forces in the market which determines the day-to-day price of bonds. It happens that, largely as a result of the continued erosion of the United States bond market, there have been weakening effects on market offerings for government issues in Canada. There is no way of insulating the Canadian bond market from such influences, but, had it not been for the constructive effects of the refunding represented by the Conversion Loan and its overwhelming success, the Canadian market would undoubtedly have displayed much more weakness than is today evident.

The fact clearly emerges that the recent decline in the bond market was in no sense attributable to the Conversion Loan, but has occurred in spite of it. With the exception of the period during the Conversion Loan campaign and immediately following it, the decline in government bond prices in Canada has paralleled, but has not been as extensive as the decline in the United States.

In the longest-term category United States bonds declined $12\frac{1}{2}$ points from April to December, while Canada's dropped $11\frac{1}{2}$ points. In the mid-term field the decline in Canada was distinctly less than in the United States. Thus United States 68's declined $10\frac{1}{2}$ points in this period while Canada 68's declined less than $7\frac{1}{2}$ points. The removal of the bulk of the Canada 3's of '63 and '66 from the market as a result of the conversion operation is the chief reason for this relevant difference in mid-term in bond price changes.

In Canada the longest victory loan (3 per cent 1966) was not completely converted, and its market price declined over the period in question from 97.50 in April, to 94.50 in early July, and to 92.13 at the end of December, a decline of about $5\frac{1}{2}$ points. However, the typical holder of this victory bond converted into the new $4\frac{1}{2}$ per cent 1972 or $4\frac{1}{2}$ per cent 1983 which on December 31st traded at 95.63. His new bond is thus about a point higher than his old bond just before the conversion and is paying him 50 per cent greater interest.

The American holder of the last United States victory loan ($2\frac{1}{2}$ per cent 1972) watched the market price of his bond decline from 97.38 in April to 85.81 at the year end, a total decline of more than $11\frac{1}{2}$ points over the period, and at the end of that time he still possessed a bond paying $2\frac{1}{2}$ per cent interest.

It remains to be added that in the eleven-month period, January to November, new issues of provincial government bonds in 1958 payable in Canadian dollars equalled in amount those of 1957, and were 60 per cent larger than in 1956, and marketings of new issues of municipal bonds payable in Canadian dollars were 74 per cent larger in 1958 than in 1957, and 32 per cent larger than in 1956. Marketings of corporate bonds in 1958 declined somewhat, as compared with 1957 and 1956.

Before I leave the subject of debt management and the bond market, let me paraphrase in Canadian terms a passage from a recent speech by the Honourable Robert Anderson, United States Secretary of the Treasury:-

"All too often these problems are regarded as something of concern only to the Treasury or involving only those engaged in security transactions. That, of course, is not true. The influence of the national debt and the way in which it is handled penetrates every corner of Canadian economic society. The volume of debt financing that is required, the distribution of the debt in length of maturity and ownership, affect the whole scheme of individual, corporate, municipal, and provincial financing, and bear a significant relationship to how we accomplish the economic goals of a free society.

"There is more involved here than consideration of equity and profit for the holders of securities. Debt management is at the heart of the whole problem of national thrift. It is a major part of the responsibility resting on a competitive society for maintaining monetary integrity, institutional liquidity, and the achievement of growth. Decisions bearing on the management of the debt touch the lives of every individual of our nation."

Inflation

The air has been filled of late with talk of inflation. It is said that the fear of inflation is disturbing confidence in Canada's financial outlook. If it is, the condition is certainly not confined to Canada. The United States is displaying all of the symptoms which are said to exist at present in Canada.

I do not deplore the current evidence of concern over inflation. On the contrary, I think it is a healthy sign that people are showing concern for the preservation of the purchasing power of the Canadian dollar. That degree of public concern will, I trust, assist governments and others in grappling with the problem. I am concerned, however, that the discussion of this subject should be realistic and balanced. The danger of inflation exists, as it has existed for the last twenty years. We will not, however, overcome it by exaggerating it beyond all recognition.

Indeed, just as a year ago gloomy and exaggerated talk about recession and unemployment actually enlarged the dimensions of these problems by disturbing confidence, so we can today actually bring on some of the feared effects of inflation by yielding to an unwarranted inflation psychology. The current situation is certainly not one of overt inflation but of the fear of inflation. Inflation has been defined as "too many dollars chasing too few goods". There is, however, certainly no scarcity of goods in Canada. The problem with respect to most products and commodities is that we have surpluses of them.

One would expect to find inflation reflected in the Consumer Price Index. The Index in December, however, showed a slight reduction. Over the last year the Index has risen only 2.5 per cent. How modest is this rise may be seen when it is compared with rises of 6 per cent in 1946, 15 per cent in 1947, 7 per cent in 1948, and 10 per cent in 1951. Of the slight increase in 1958 little was in the prices of goods -- food, fuel or clothing. The greater part of it was in the cost of services, especially health care, personal care and recreation.

One would also expect to find inflation reflected in the Wholesale Price Index. However, the general Wholesale Price Index is the same as it was a year ago. It is also 16 points or 7 per cent below the 1951 figure.

The condition with which inflation has currently been associated is an increase in money supply, that is, the total of currency in circulation and deposits in the chartered banks. In the twelve-month period commenced October 1, 1957, money supply in Canada, as so defined, increased by \$1,422 million, or 12 per cent. This increase in money supply was greater than the increase in government debt.

The percentage increase in the money supply in Canada was twice as great as that in the United States. It must be admitted that this rate of monetary expansion did contribute to Canada's success in arresting the process of recession and to the stimulation of the Canadian economy in 1958.

With the Conversion Loan and the Canada Savings loan of 1958 now behind us, however, it would be undesirable to encourage or permit a substantial degree of monetary expansion in the near future. Thus we can look for a lessening of upward pressure from that source on price levels.

Indeed, in the last four months of 1958, the total volume of money in Canada increased by less than one per cent. In this same period holdings of government securities by the general public increased by over \$1 billion. The Canada Savings Bond campaign in this period was the most successful in all our history. There was a net increase in the public holdings of Canada Savings Bonds in this period of \$519 million. The public added \$150 million to their holdings of Treasury Bills and \$400 million to their holdings of marketable government bonds. On the other hand, holdings of government securities by the banking system declined by \$450 million. Thus the earlier liquidation of government securities by the general public has in recent months been halted and indeed reversed. These facts should have a reassuring effect upon those who have been concerned over the expansion of money supply during the twelve-month period ended last September 30.

There is no evidence in these recent events of themselves to justify anxiety over inflation. I am aware, however, of concern over the long-term trend. Since 1946 the Canadian dollar, as measured by the Consumer Price Index, has lost forty cents of its purchasing power. Nearly all of that loss occurred prior to 1952; relatively little of it occurred in the last two years. The present problem of inflation arises in its creeping form.

I think I have been as outspoken as anyone in warning the Canadian public of the dangers of inflation. It is a stealthy thief, reducing the value of savings, fixed incomes, insurance policies, bonds, pensions, mortgages. I hope the Canadian people will always be on their guard against inflation. It is well to remind ourselves, however, that there is little value in deploring inflation while at the same time seeking the illusory, will-of-the-wisp advantages it appears to offer.

It is also well for us to realize precisely where responsibility lies in this regard. It is temptingly easy for individuals to place the full blame and responsibility on the government or governments. The fact is that in a free economy

every citizen has a responsibility to play his part in the maintenance of the stability and purchasing power of the Canadian currency. This solemn duty rests upon employers, employees and self-employed. I repeat the stern warning which I issued in my budget speech on June 17th last:-

"Moreover, I confess my concern over costs of production and prices in Canada. Only by keeping our costs of production in line with those of our competitors can we hope to achieve expanding employment and progressive improvement in our standard of living.

"We are in danger of becoming a high-cost economy. Such a prospect is particularly perilous in the case of a country like Canada which must sell so much of its production in markets abroad. Moreover, Canadian producers are encountering increasing difficulty in retaining their domestic market in the face of keen competition from abroad. Many of them under these circumstances turn to the Government for a solution of their cost problem.

"In a free society there is no simple formula by which the government can maintain stable prices and there is a limit to what governments can do to assist producers to hold down their costs of production. A wise government can, of course, help to promote an environment which is conducive to price stability and this Government gives a high place to that duty; but to an important extent, prices are the result of competition among the various economic groups which compose our nation, each striving for a greater share of the national product. I echo the warnings issued by the Prime Minister, Mr. Diefenbaker, to all sections of the Canadian people in appealing to all, whether employers, employees or self-employed, to have regard for the general interest in the returns they seek for their services and products. In a free society there is no omnipotent arbitrator who can set prices and wages at stable levels. One must depend upon the sense of responsibility of free men and women not to demand more than their fair share of the national income. As I have said on other occasions, increases in incomes can be justified by increased productivity, and by increased productivity alone."

There are those who ascribe to the Government powers which it does not possess, and which, if it did possess them it ought not to exercise lest the loss of freedom should result. Some of the panaceas which I am asked to adopt would involve such a regimentation of the Canadian economy as would, I trust, be intolerable to the Canadian people in time of peace. In a free economy in time of peace, the Government cannot compel the freezing of costs or prices.

I have reserved to this point my comments on the responsibility of the government in its own proper field. Government policies undoubtedly can and do affect the economic forces which have either inflationary or anti-inflationary consequences. I suspect at times that the influence of government policy on these forces is exaggerated in the minds of many people, but I have no wish to deny or evade the responsibility of governments in this regard.

The policy of the Canadian Government is quite clear. It was stated by the Prime Minister and myself on July 14th when launching the Conversion Loan campaign. On that occasion he said:

"One of the primary advantages which will, I am sure, commend itself to all of you, is that it, (the Conversion Loan) is in every sense anti-inflationary. It is, even more definitely, a sound money policy. I want to emphasize again at this time that the preservation of a sound currency and the maintenance of stability in the value of the dollar are matters to which the Government attaches the greatest importance."

On the same occasion I stated:

"Through this Canada Conversion Loan the Government is reaffirming its determination to follow policies that will maintain the soundness of our currency and the purchasing power of your dollar."

This remains, let it be said, the policy of the Government.

I do not underrate the risks of inflation. I am keenly aware of them, and it is well that the public should be concerned about them. Our aim must be to achieve a sustainable rate of growth in terms of employment, development of resources and the maintenance of the purchasing power of the Canadian dollar. Inflation is not inevitable. It can be controlled if governments at all levels, and business men, and labour, and farmers and the ordinary man in the street all have the self-denying will to combat it.

Some of the policies which the present Government has followed have certainly been deliberately calculated to stimulate the economy with a view to enlarging employment opportunities. Unemployment still gives us deep concern, but we are now convinced that the proportions of the unemployment problem this winter will be smaller than last and that 1959 will witness added strength and activity in the Canadian economy. I am not predicting any sudden boom; indeed, I hope that recovery will rather proceed at a steady and sure pace. Such progress will enable the Government to direct its efforts more definitely toward curbing inflationary forces in the economy, so far as the Government has power to do so.

The expenses of Government are high. The Canadian people continue to demand a high standard of services and social benefits. These must be paid for. I wish that fact were always remembered. After people demand and approve expenditures on their individual merits there is little use deploring them in their aggregate. In 1959, for example, we shall be facing the increased burden of a full twelve months' operation of the new national hospital insurance scheme. Other outlays, whether for services or benefits, advance proportionately with the increases in our population. Nevertheless, the Treasury Board in its current review of estimates is, I assure you, applying a firm hand to controllable expenditure.

I was, as you know, obliged to budget this year for a substantial deficit. I regretted the conditions which made it necessary, but it was under the circumstances the soundest of the limited choices open to the Government in June, 1958. I deplore the loose and irresponsible talk which is bandied about concerning the size of this anticipated deficit. I hear and read talk of "The billion dollar deficit" and "the more than a billion deficit". Last summer I gave Parliament an estimate of \$700 million as the amount of the deficit. Today at the end of nine months of the present fiscal year I see no reason to depart materially from this estimate.

This is the open season for rumours and speculation as to what the next Budget may contain. I do not, however, recall a time when I have seen so much sheer speculation on this interesting subject. Let me dispose of all of these mischievous rumours by saying that at this early stage no budget plans have been formulated. No speculation has any right to attempt to shelter itself under the Department of Finance, for no statement has been issued from the Department bearing on our budget plans in any form. There has been no leak from the Department and any statement alleging a leak is entirely without foundation.

Conclusion

1958 was a year of abnormal unemployment and of soft spots in certain sectors of the Canadian economy. It will be remembered also as a year when recession was arrested and the underlying strength of the Canadian economy asserted itself in a gratifying recovery. Notwithstanding the setbacks, 1958 deserves to be remembered as a year marked by many important achievements.

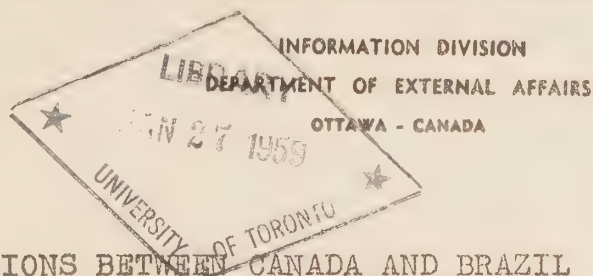
1959 begins with many early advantages over 1958. The domestic improvement is matched by an improvement in conditions in the United States and abroad which will undoubtedly benefit Canada.

The prospects before this country are dazzlingly bright. There never was a time when Canadians had more reason for confidence in their country and her future. Canadians are not a mercurial people. At their best they are steady, stable and self-reliant. The Canadian economy has its problems, but it is sound and strong. Canada remains the best investment in the world.

S/C



STATEMENTS AND SPEECHES



No. 59/3

RELATIONS BETWEEN CANADA AND BRAZIL

A speech by Mr. Sidney E. Smith, Secretary of State for External Affairs, at the Foreign Office, Rio de Janeiro, Brazil, on November 18, 1958,

It is a great honour for me to be your guest in this stately palace of Itamaraty, in this House of Rio Branco, this shrine of Brazilian statesmanship, where the present walks with the past in such gracious dignity.

I deeply appreciate what you have said about my country and your kind references to myself, and I thank you most sincerely for the warmth and generosity of your welcome and your hospitality.

I bring you the most cordial and affectionate greetings of the people of Canada and their Government; and I transmit to you their ardent desire for the strengthening of those links of friendship, of mutual understanding and of mutual interest which today, as in the past, unite us in the bonds of shared ideals and a shared tradition.

As a Canadian I am proud to recall that, twice in this century, Canadians have marched with Brazilians in defence of freedom and that today Brazilians and Canadians stand shoulder to shoulder on guard for peace in the Middle East.

Our two countries, it seems to me, have much in common. We are both peoples of the Americas. We share the historical experience of having left our ancestral homes in Europe to pioneer on the frontiers of the New World. We share the experience of having won political independence. We share a deeply rooted respect for the rights of the individual man; a profound belief in the necessity of the rule of law; and an unswerving dedication to the democratic freedoms.

Being both immense countries of continental proportions, our concept of man's relation to space is similar. In the economic field--in agriculture, in industry, in transport, communications--as in the sphere of political organization, many

of the problems which confront us are of a similar kind and of the same order of magnitude. We are both developing at an extremely rapid rate. All of this makes me believe that Brazil and Canada have much to gain by intensive and systematic exchanges of views, of skills and of experiences.

In the past our collaboration has been not inconsiderable. As a Canadian it is a cause for gratification to know that Canadian engineers and Canadian enterprise have played a substantial role in generating the energy so vital to the development of the Rio and Sao Paulo areas. In the cultural field our interests run parallel. Our commercial relations are long standing and of mutual benefit. Our political relations are excellent.

This does not mean, however, that there is no room for fortifying our solidarity, for deepening mutual understanding. On the contrary, I believe that in the political, as well as in the economic and cultural fields, much can be done to intensify our collaboration; and you may be sure that, so far as it lies within my power, I shall do everything I can to further this end.

A moment ago I spoke of our experience as pioneers on the physical frontiers of the New World. Today, we, with all other peoples, stand awed and not a little frightened, at one of history's watersheds on the frontiers of a critical age in which the final human catastrophe has become possible. Ours is the supreme challenge. Either we learn how to shape a tolerable world order, or the forces released by man's mastery over his material environment and his lack of mastery over himself, will destroy us.

The difficulties are enormous. No one nation, no one group of nations, knows all the answers. None of us can discern a clear road to ultimate solution. Nevertheless, it may not be inappropriate if I were to consult with you on some considerations which seem important to us in Canada.

In the first place, we believe that the free world, while maintaining its strength to the utmost of its ability, must not weary in its endeavours to negotiate for peace. We must never sacrifice the principles basic to our civilization, but we believe we must maintain flexibility of policy rather than permit development of a frozen futility. Flexibility is not a spineless posture. Compromise is not an evil word: it does not involve a lack of moral standards. Open-mindedness does not necessarily mean an empty mind. Rather, it bespeaks a willingness to listen to opposing views and an attempt to take such views into account even if we do not accept them. The reconciliation of opposing viewpoints is, of course, never easy; it is a long and laborious task and more often than not frustrating. But in these days not of alternatives, but of the terrible alternative of universal disaster for mankind, it is an imperative course of action and one from which we can never back away in dismay or a sense of futility.

Secondly, we believe we must endeavour to strengthen the United Nations so that its influence will be accepted in the peaceful settlement of international differences. Whatever our aspirations for the future of the United Nations, in its present state of development we believe it is a mistake to conceive of it as anything in the nature of a world government. It is not a supracommunity. It is rather an agency for reconciliation and negotiation, a forum where opponents can maintain communication and eventually reach solutions. It is not a substitute for diplomacy, but it is a place where in some situations diplomacy can be more effectively conducted. If it did not exist, mankind would find it necessary to invent a comparable substitute.

Furthermore, we with you believe that the role of the middle and smaller powers in the United Nations is important. The assumption of greater responsibility is perhaps good for the souls of the middle powers. It has been all too easy for us to belabour the great powers and find in their sins the causes of all our troubles. Nevertheless, our lack of capability for global aggression and our limited involvement in world affairs do give us an opportunity to play a peacemaking role which is denied to the great powers. This represents both a challenge and a responsibility which we feel we cannot ignore.

In the third place, we believe that all peoples should be able to share in some measure the benefits of technological progress. Canada has joined with other like-minded nations, including those of Latin America, in supporting the efforts made under the auspices of the United Nations and other international bodies to mobilize resources for this purpose. In these efforts we have been much aware of the relevance of your President's recent observation when he said: "History teaches us that there is no consciousness of civic liberties and of the fight for their preservation, when subsistence itself is threatened by the rigours of pauperism".

Finally, we believe that if our society is to survive it must be animated by a revived moral dynamic. We need a new mobilization of the basic concepts of brotherhood and the recognition of the dignity of the human person. Civilizations have fallen in the past not to superior forces, but to inner contradictions and spiritual decadence. An age of crisis is an age of challenge. Challenge can engender despair, but it can also instill in a person, in a nation, in a civilization a sense of expectation, of hope, even of exaltation at the possibilities of new achievements of the human spirit.

It is where civilization faces great challenges that men of vision play a vital role. It is such a vision which must have inspired His Excellency President Kubitschek when he launched "Operation Pan America" earlier this year which proposes, if I well understood his intentions, to undertake a "vigorous analysis" of the pressing problems of this hemisphere in order to permit the American nations to play a "dynamic part" in solving

the problems of the world. In launching this Operation, President Kubitschek has, I think, taken a significant step which could assure him a place among the great statesmen of his country and indeed of this hemisphere, if his status in this category of political leaders were not already well established. He has given us a new demonstration of this well-known Brazilian talent for adaptation to new and difficult circumstances and for suggesting bold and imaginative solutions to urgent problems.

Looking around this hall, I feel deeply grateful to Your Excellency for having had the gracious thought of inviting to this banquet the ambassadors from the nations of the Commonwealth, with which we have so much in common, and the ambassadors from the Latin American republics. I regret very much that time does not permit me on this trip to visit all of Latin America. But, after twenty-four hours in this magnificent city, among a people whose hospitality is so overwhelming, I have in my heart a genuine desire to come back to Latin America if the occasion arises, and visit some of the other countries so well represented here tonight.

Your Excellency, permit me to say once again how happy I am to be in Brazil and to be your guest here tonight. Although it is only a few hours since my wife and I and my associates landed at Galeao, already we feel at home in this country; and your kindness and the warmth of your welcome has made us feel that we are among true friends. In this spirit, may I then, as the first Canadian Foreign Minister to sit at this board, ask you, ladies and gentlemen, to raise your glasses and drink a toast to the welfare and prosperity of the Brazilian people and to the health and happiness of Your Excellency and your gracious consort.

S/c

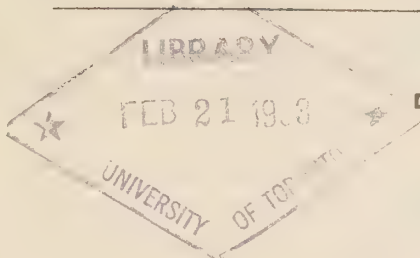


STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 59/14 THE EFFECT OF IMMIGRATION ON CANADA'S ECONOMY

Notes for an address by Mrs. Ellen Fairclough, Minister of Citizenship and Immigration, to the Montreal Chapter of The American Marketing Association and The Sales Executive Club of Montreal, on January 14, 1959.

I have chosen to speak to you today, ladies and gentlemen, on a subject which is very close to my heart - the vital role which immigration has played, and is continuing to play, in the development of Canada. It is a subject which is, no doubt, of continuing interest to you also. Indeed, to groups interested in advertising and marketing, immigration is an absorbing topic as well as a challenging opportunity.

Year by year immigration brings to Canada a steady flow of producers as well as consumers of Canadian products. How then, to acquire the goodwill of newcomers?

That many are aware of the potentialities of this widening market is apparent from comments that I have heard. I know of one firm, for instance, which has earmarked a substantial share of its advertising budget for ethnic publications. It may interest you to recall that there are 169 such publications in Canada. Other firms are also studying this market to see whether special advertising and sales promotion material should be prepared and, if so, what form it should take. For decades the people of Canada have sought markets all around the world. Now, in a very real sense a new and important domestic market is being created by immigrants.

While all of us are interested in the effects of immigration as a factor of population growth, a group such as yours is primarily concerned with the direct and stimulating influence of immigration upon the national economy. In good times little criticism of immigration is heard. But when economic expansion slows down, there is a tendency on the part of some to question the value of immigration. Occasionally we hear that immigrants take work from native-born Canadians and aggravate unemployment; this, notwithstanding the oft-expressed

view of reputable economists that there is little or no connection between immigration and unemployment. By contrast, the great contribution of immigrants as producers of wealth, as employers of labour, as consumers of Canadian products, receives too scanty attention. I trust I shall be permitted to take this opportunity to set out factual evidence in that regard.

Since the dawn of the century, nearly six million people have come to Canada; since the end of the Second World War, nearly two million. While there was a considerable decrease in immigration last year, the Government takes the position that it is neither fair nor sensible to entice immigrants to come to this country unless the economy shows sufficient signs of buoyancy to provide opportunities for their employment reasonably soon after arrival.

Critics of immigration perhaps ought to be reminded that it is only a relatively small proportion of the total number of immigrants who seek employment on the open labour market. The yearly movement includes a large number of dependents, as well as workers coming to sponsored employment, or to establish themselves in businesses or on farms. These have little, if any effect as competition on the employment market.

Let us look at 1958, when 124,700 immigrants came to Canada. Of that number, 61,600 were dependents and 63,100 were workers. This latter group included sponsored immigrants, those who came to establish small enterprises and, finally, those who were to seek employment with the assistance of my Department or that of the Department of Labour.

The sponsored immigrants are those for whose admission a Canadian citizen or a legal resident of Canada has applied. Sponsorship is allowed only on the basis of an undertaking that the immigrant will not become a public charge and that the sponsor accept the responsibility to provide employment and shelter for him. This undertaking, either by individuals or by business firms, is a very important phase of the immigration process, since it ensures that the sponsored immigrant will have employment and a home on arrival and enables departmental officials to concentrate their energies on the placement or establishment of unsponsored immigrants.

In 1958, 25,000 sponsored immigrant workers entered Canada. In addition there were 19,500 immigrants classified as "workers" who belonged to the so-called "self-establishment" group, which includes farmers, businessmen and professionals.

In other words, dependents, sponsored workers and immigrants admitted for self-establishment numbered 106,100 out of a total of 124,700 immigrants who came last year. The balance - 18,600 - were workers whom the Departments of Citizenship and Immigration and Labour assisted in finding

employment on the open labour market. Even among those, however, were many classes of "workers" who are in short supply in Canada, such as nurses, teachers, physicians, librarians, stenographers, etc. They numbered approximately 4,700. The net total of workers for open placement, therefore, was 13,900. Many possessed useful skills and training and their emigration to Canada filled an actual need. It should be remembered that even in every kind of economic climate there are many positions which native-born Canadians fail to fill, either because of lack of training, because they do not care to perform certain types of work or they do not wish to locate in remote areas.

Another important point to remember also is the fact that each year Canada is acquiring valuable skilled workers and professionals whose education and training have been provided at no expense to this country and that their presence tends partially to offset the loss of trained Canadians through emigration.

It is not generally realized now many skilled and professionally-trained workers Canada has lost in the post-war years through emigration. Figures compiled from United States' sources show that a large number of professional, technical and kindred workers emigrate to the United States each year. In 1957, more chemistry specialists emigrated to the United States than graduated from Canadian universities. In fact, between 1955 and 1957, 2,472 engineers, 1,073 teachers, 344 chemistry specialists, 3,643 nurses, and 535 physicians and surgeons left Canada for the United States. It can hardly be argued that immigrants in these highly-trained skills and professions cause unemployment.

Early immigrants to this country were mainly agriculturists. However, in the last half century Canada's increasing industrial development has created a demand for larger numbers of skilled and professional workers. Moreover, a rapidly advancing technology absorbed an ever greater number of scientists, technicians and highly skilled personnel in commerce and business administration. The remarkable post-war growth of Canada's population, therefore, has been partly the cause and partly the result of our country's rapid economic expansion.

All in all, Canadians may feel well satisfied with the selection of applicants for admission to this country. Their demonstrated capacity for diligent work has earned for them the respect and confidence of most employers and the impetus they have given to the Canadian economy has been valuable and timely.

Let us consider for a moment the contribution these newcomers have made as producers and as employers of labour.

In the last nine years, immigrants have established in this country a total of 2,358 small business enterprises by purchase, at a cost of \$27,602,500, and 84 by rental. These enterprises have resulted directly in the establishment of 2,701 immigrant operators who, with their dependents, numbered

8,350. They have also provided for the employment of 8,947 Canadians and newcomers.

A striking feature is the fact that more than half of these enterprises were established in 1958. In the past year alone immigrants established 1,324 small businesses of various kinds, 1,303 by purchase and 21 by rental.

Why was 1958 such a banner year for the establishment of immigrant enterprises? The reason is partly financial. Many of these operators lacked both capital and Canadian business experience and had to work for some years to acquire sufficient funds and knowledge before striking out on their own. Quite likely also, it was the optimistic reports of earlier immigrants which induced other small businessmen to establish firms in Canada.

And what are these enterprises and where are they? They were established in eight of the ten provinces. The majority, 805, were established in Ontario. British Columbia was second with 222, and Quebec third with 153. Nova Scotia received seven, New Brunswick two, Manitoba 40, Saskatchewan 22, and Alberta, 73.

These concerns were of various types. As an example of their diversity, in Ontario and Quebec there were established, last year, 27 firms dealing in meat products, 40 in bakery products, 43 groceries and delicatessens, 154 construction firms, 18 plants manufacturing wood products and 22 dealing in metal products; 81 firms were engaged in automobile repairs, sales and service, 32 in the manufacture of leather goods, knitted goods and paper products and 13 in publishing, printing and lithography.

Twenty-four firms came under the heading of truck gardening and florist shops and 84 were retail outlets for departmental store items. These were in addition to 19 commercial concerns dealing in dairy and feed mill products, fishing, etc., 22 tailoring establishments and 63 barber shops and beauty salons. There were established, as well, 127 service establishments, 24 radio-television sales and service outlets, and six tourist accommodation centres.

Nor was the field of finance overlooked, since 31 insurance, real estate, import-export and wholesale firms were established in 1958.

These figures lend support to the findings of the Royal Commission on Canada's Economic Prospects. It was the opinion of the Gordon Commission "that immigrants have made a decided contribution to the scale of economic development in Canada". The report added: "This is true in aggregate terms because of the addition that immigrants have made to the available labour supply."

It is equally true in qualitative terms when one considers not only the relative mobility of immigrants and their willingness to accept the types of work that are less attractive, but also when one thinks of the various skills and cultural accomplishments with which many immigrants are helping to enrich our Canadian life. It is our firm belief that it is in Canada's interest to continue to encourage people from other countries to emigrate here in order both to assist and participate in the development of our country and also to contribute further variety to our social organizations and institutions".

I was interested to note in the latest annual report of the Netherlands-Canada Chamber of Commerce that some 40 Dutch firms have set up branches or subsidiary companies in Canada. Fifteen of the 32 concerns listed in the publication are in the importing and distributing field, four in banking and investment, three in insurance, two in general trade and one in the nursery business. Seven others manufacture, assemble or package a wide variety of products - metal goods, alcoholic beverages, clothing, gelatine products, pharmaceuticals, radio and electronic equipment, essences and pipes.

In addition, two large Dutch mining companies have acquired property and are doing exploratory work. Another group of bankers and businessmen is developing a typical Dutch "polder" in British Columbia and has formed a Canadian engineering firm which is bidding on a number of projects in Canada. Dutch manufacturing, trading and transportation companies and shipping lines have active selling connections in this country and are enlarging their interests every year.

What the Dutch have accomplished has been duplicated by the nationals of other countries, particularly since the end of the Second World War. The Italians, for example, are prominent in the construction industry, in wholesale fruit and grocery businesses; the Germans in a variety of occupations, including real estate, retail furniture, nursery and landscaping, dressmaking and the restaurant business; the Jews in the clothing industry and the Greeks and Chinese in the restaurant trade.

In addition to the establishment of small businesses, many immigrants have engaged successfully in agriculture. Between 1950 and the end of 1958, they purchased 3,879 farms and rented 849 others. These provided for the establishment of 5,141 owners and tenants who, with their dependents, number 23,215. The over-all price of these properties was \$43,647,500, against which immigrants made down payments totalling \$14,226,900.

In 1958 alone they purchased farms in every province with the exception of Newfoundland. These totalled 786, in addition to 83 which were rented. These ventures accounted for the establishment of 865 immigrants, involved 4,132 operators and dependents, and gave employment to 1,263 persons. The over-all purchase price amounted to \$10,063,800, against which down payments of \$3,266,500 were made.

The majority of immigrants buying or renting farms in 1958 engaged in mixed farming - 471 mixed farms out of a total of 869. Dairy farms were next with 166, followed by tobacco farms with 38, and fruit farms with 36. Others engaged in beef cattle farming, bee keeping, canning crops, fur farming, market gardening, nursery and greenhouse production, poultry farming, sheep farming, ranching, sugar beet growing and wheat farming.

But immigrants are consumers as well as producers and here their contribution has been enormous. In the nearly two million immigrants who have come since the Second World War, Canada has found a large home market. Many merchants in communities most affected by the influx of immigrants were quick to recognize the purchasing power of this new pool of customers, and have introduced many lines of merchandise designed to attract their trade.

It is to be remembered that the immigrant market is one which is constantly expanding. A high proportion of the yearly intake is composed of young people. Not only is there a demand for supplies to equip parental homes but also, as the years go one, to provide for the homes of their children. Of the 124,700 immigrants who arrived in Canada in 1958, more than 58,000 were between the ages of 15 and 29 - almost half of the total for the year. Surveys of immigration figures of other years also emphasize the youthful character of newcomers.

At the beginning of 1951, post-war immigration into Canada had reached 430,389. In that year the census revealed rather striking features in the purchasing habits of newcomers. It was found, for instance, that in that short period, immigrants had established 62,160 households and had purchased 43,215 electric or gas ranges, 26,360 mechanical refrigerators, 32,105 powered washing machines, 18,065 electric vacuum cleaners, 51,900 radios, 20,255 passenger automobiles and had 30,085 telephones.

Impressive as they are, these figures do not take into account food, wearing apparel and a wide range of consumer goods which form the basic necessities of life.

Using the 1951 census figures as a base, it is possible to make a fairly accurate estimate of consumer expenditures by immigrants in recent years. Between 1951 and the end of 1958, immigrants numbered approximately 1,365,000 - roughly four times the number who arrived in the immediate post-war period. Using the census yardstick, immigrants during that period would have established more than 248,000 households and purchased nearly 173,000 electric or gas ranges, more than 105,000 mechanical refrigerators, more than 128,000 powered washing machines, more than 72,000 electric vacuum cleaners, more than 207,000 radios, 81,000 passenger automobiles. They also spoke in a multiplicity of tongues through 120,000 telephones in their homes.

In addition to the part played by immigrants as producers and as consumers, there is yet another field in which Canada has benefited by immigration. Between 1946 and the end of 1958, immigrants brought into this country approximately \$800 million in cash and securities, as well as some \$300 million in settlers' effects. In 1957 alone, the last year for which figures are available, newcomers brought to Canada \$101 million in visible assets and \$41,800,000 in settlers' effects.

And, as ordinary mortals, immigrants in 1957 paid an amount estimated at \$190 millions in direct taxation, and saved some \$146 millions.

But immigrants are much more than an important economic factor. It is too often forgotten that they are our fellow workers, our employers and employees, that they attend our churches and schools and patronize our business establishments, that their children are the playmates and companions of our children, that, like ourselves, they have hopes and ambitions.

As descendants of immigrants, we know that the story of immigration is indeed the story of our country. The map of Canada is dotted with placenames which spell the names of pioneers or of the communities from which they emigrated. The first Prime Minister of Canada, Sir John A. Macdonald, was an immigrant, as were also Robert Service and Stephen Leacock. The rich Turner Valley was named after a couple of Scottish immigrants, Robert and James Turner, who settled in the West in 1886. The pioneers of bygone days who settled the plains of the West, who made fruitful the Niagara peninsula, the Annapolis and Okanagan valleys, who tapped the minerals of the Laurentian shield, have been followed by other immigrants who made Kitimat possible, who helped to build the St. Lawrence Seaway, opened the riches of Elliott Lake and Knob Lake, who have established industries and tilled the farmlands from one end of the country to the other. They are the worthy successors of the pioneers of former years.

S/A



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/5

THE NEED FOR A DECLARATION OF FREEDOM'S CREED

Notes of a speech by Mr. John G. Diefenbaker, Prime Minister of Canada, to the Convocation of the University of Toronto, on January 12, 1959.

My deep appreciation of the honour you have bestowed on me is enhanced by the attributes of this university which have won world-wide renown, not only in the field of learning, but also among men of practical affairs. No Canadian can be made a member of the family of the University of Toronto without being aware that he has entered into the privileged society of one of the ranking universities of the world.

Of the pre-eminence of the achievements of the University of Toronto in many different faculties, there is general agreement. This university has won highest renown all over the world in the superlative degree to which the university has served, and serves, Canada in adapting the pursuit of learning to the material, as well as to the cultural, welfare of this nation in particular, and to the nations of the world in general.

This university has made its contribution to every facet of Canadian life. To public life it has given to this nation two Prime Ministers and many other leaders, national and provincial, and in the international field I have but to mention the present Secretary of State for External Affairs and his predecessor in office, the Leader of the Opposition.

This is an age of scientific advancement and physical exploration. The mind of man is moved as it has not been since the first Elizabethan age, in the spirit of adventure, and in the field of exploration, as for example, the climb of Mount Everest, and the explorations of Fuchs in the Antarctic; the Nautilus moving four hundred feet under polar ice for eighteen hundred miles, or the variety of satellites that have woven their longitudinal patterns around the globe these last sixteen months and now, more dramatically than ever before, the fingering of space by man, as the recent Russian rocket speeds its way around the orbit of the sun.

Scientific advances with their immensity and deadly power of destruction have brought fear into the hearts of men everywhere. Fear can be met, if we elevate the spiritual horizons of mankind which beckon to the adventurers of good will and vision. Freemen must be prepared in this period of the new Renaissance to sacrifice and to weigh the accepted views of the past, and if found wanting, to courageously provide new formulas to meet new conditions in the conflict of ideas and ideals. We live in a new age. There are many challenges for the adventurous in this age, which has been described by Dr. Smith, Professor of Medieval History at Cornell University, as "a period and process of transition, fusion, preparation and tentative endeavour".

In Asia and Africa a major conflict for the minds of men is taking place. In the Asian sub-continent 500 million people -- 30 times the population of Canada -- are crowded into territory less than one-half the extent of Canada's. One hundred millions live in Southeast Asia -- including Indonesia. China has 500 million people occupying a land approximately the size of Canada. In Africa, some 200 million people occupy territory the size of Canada, the United States and China combined.

In these and other countries a tremendous awakening of nationalistic pride, coupled with a desire to raise conditions and standards of living, is under way. The advances of the U.S.S.R. in scientific achievements, in nuclear power, in intercontinental missiles, in jet planes, in the exploration of outer space, have had a tremendous influence on mankind, not only throughout the world, but in particular in these areas where poverty is the daily portion.

What the Russians have done scientifically is in the air for all to see and, in the field of trade, is revealed by the communist trade offensive. In parading its achievements - even though attained by tyranny and slavery - the communists would have us believe that the free world is decadent and has lost its sense of adventure and achievement.

That wise world observer, Walter Lippmann, in a recent article, stated that there are some who feel that the West is losing, and the communists are winning, the contest for influence in the underdeveloped countries:

".....it is not enough to stand firm and persevere. It is necessary also to take hold and costly measures to turn the tide.....time is not on our side unless we make a prodigious effort in armaments, in the development of our own economy to support them, and in a demonstration

that there is a way other than the communist way, by which the underdeveloped nations can overcome their weakness and master their poverty".

"....the West is losing and the communists are winning the contest in the underdeveloped countries."

"The central reason is that the advanced and industrialized Western countries of North America and Western Europe and Australasia are growing richer while the underdeveloped countries, outside the communist orbit, remain in dire poverty and insofar as they are advancing, are moving very slowly."

"It is in this factual situation, it is in this soil, that communism is expanding. For the Soviet Union has succeeded in demonstrating that there is a way, though harsh and cruel, by which a country can be raised by the bootstraps."

What can Canada contribute to the solution of these problems which affect all mankind?

No nation with a like population has the same appointment with world responsibility as has Canada. She is respected because it is admitted that she has no ambitions to expand, and no aggressive purposes. Canada cannot escape a world outlook because of its geographical location between the U.S.S.R. and the United States. Canadians are a people of the world, for whether in trade (in which Canada is in fourth position) or in geographical position, Canada's future depends on the degree to which world understanding can be achieved.

Canada must be a world power in the things of the spirit as well as in her material potential resources. It was because of the importance and prestige of her world position that I recently took a world trip designed to learn something of Asia where, as in Africa, the major battles are being fought today for the souls and hearts of men. Canada has a message for mankind. Canadians have shown that peoples of different races can live together. We are respected because we have been generally free from discrimination. We have recognized the need of the international application of the Christian principles that nations, no less than individuals, must be their "brother's keepers". Canada has aroused no hatreds or suspicions in the hearts of men. Its contributions of aid and in international assistance plans for underdeveloped countries have no possible ulterior purposes or objectives.

The United States has assumed world-wide responsibilities, and it is part of the communist technique to endeavour to plant fears in the minds of Asian peoples that she is aggressive-minded and that her assistance plans are sinister plots. Canada

can best interpret the United States, in a way that no other nation can, to the nations of Asia and Africa and provide the answer to such propaganda.

Wendell Wilkie, that great American whose passion for freedom and human rights lifted him far above the politics of his day, once reminded his own people:

"We cannot keep freedom to ourselves. If we are to have freedom we must share freedom. Let us keep that aim shining before us like a light -- a light for the people of Europe, for the people of Asia, for the people of South America, and for the people of our own beloved land."

I believe that there is a ceaseless need that the nations of the free world explain what we stand for, in simple and understandable terms. The word "democracy" conveys little, for it has been borrowed and its meaning distorted by the communists. They misinterpret the purposes of Western democracy by seizing upon isolated events or untoward occurrences that take place anywhere in the free world. There is no way in which an interpretation of the meaning and purposes of Western democracy can be secured excepting by a study of the statements made in recent years by world leaders. The purposes of the democratic free world have been left to a considerable degree for definition to the whims of its enemies. We need understanding of the vital faith and philosophy that is ours. I am persuaded that there is a compelling need for the Western world to restate and define its purposes, its principles, its ideals, if they are to be understood in a world engaged in the war of ideas.

Material assistance to the peoples of underdeveloped areas is important. Canada's contribution has been a worthy one. Since the Second World War Canada has contributed no less than four and one-half billion dollars in financial assistance to other nations and few other countries have made proportionately larger contributions. Material aid has its place, and it has contributed much, but of itself, it is not sufficient.

In visiting Asian countries I sensed misunderstanding of the aid programmes, and among some people a frightening suspicion as to the motives actuating the humanitarian action of the contributing nations. The lesson seems clear that material aid alone will not convince the uncommitted nations of our sincerity, nor win their allegiance to freedom in the battle of ideologies. I am convinced that should the Western world prove its eventual superiority in the race of scientific advance, (important though victory undoubtedly is in this vital aspect of the world struggle) the spiritual things will constitute the decisive element.

How many of us who are its heirs can express the philosophy of freedom? We feel it, but that is not enough. We need to understand what we espouse. Criticizing communism is not enough. A knowledge of freedom's aims is necessary, so that uncommitted peoples can understand the worth and superiority of freedom when compared with communism. I can think of no better way to explain freedom than for the nations of the free world to meet together, exchange ideas, and reach a common basis for a Declaration of Freedom's Creed. Such a Declaration would give to the uncommitted world a solemn pledge of willingness to work with them for better economic conditions, in which human dignity, equality and tolerance will be recognized, and personal liberty -- freedom of thought, expression, association and religion -- pledged to those who will join in freedom and for freedom in the struggle for men's hearts and minds.

During the last war President Roosevelt and Prime Minister Churchill "being met together", as they said, in that historic document called the Atlantic Charter, "deemed it right to make known certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world". And they proceeded in eight resounding articles of the proclamation to tell the world what their countries, and those associated with them, were fighting for.

These two leaders declared that their nations sought no aggrandisement and no territorial changes not in accord with the freely expressed wishes of the peoples involved. They affirmed their belief in the rights of all peoples to choose the form of government under which they wished to live. They declared that with due respect for existing obligations, they would further the enjoyment by all states, great or small, victor or vanquished, of access on equal terms to the trade and raw materials of the world. They expressed their belief in mutual co-operation among the nations to secure for all, improved labour standards, economic advancement and social security. They pledged themselves to support such post-war measures as would afford assurance that all men in all the lands may live out their lives in freedom from fear and want.

The effect of the short, precise and readily understandable document was an inspiration to the legions which upheld freedom. It was a message which the people of many lands were waiting to hear. Within a few months it had been signed by 26 nations and became known as the United Nations Agreement.

It is just as important in time of peace as in times of war for freemen to speak to the rest of the world with a united and compelling voice. Has the time not come for the free nations of the world to again dedicate themselves by some similar declaration? It is my conviction that there is much to be gained from such action. Knowledge of the economic purposes and policies of the free world is necessary. This is lacking. There is a decided lack of literature available in Asia on the subject of democracy and its operation, while communist literature is generally widely circulated. A few of the types of communist literature are shown by these titles:

"How the Tillers Win Back the Soil";

"The Paper Tigers of the West";

"The Challenge of New China".

(by Mao Tse Tung).

It was my pleasure when visiting the University of Kuala Lumpur to deliver to the Faculty, as a gift from Canada, some 200 volumes dealing with economic, political and other phases of Canadian life in particular, and democratic concepts in general.

Finally, my observations lead me to believe that there is a need of a greater interchange of students between Canada and other Western countries and the uncommitted countries. In the Middle Ages, students travelled from university to university seeking knowledge and sitting at the feet of outstanding teachers, thus affording that "universitas" which must be of the essence of any true university. I am told that in this university there are students from over sixty countries devoted to the search of truth. At present there are 4,000 foreign students attending Canadian universities -- 5 per cent of the total student body.

There is a need of expansion in student exchanges so that each can share a portion of the heritage of the other. Canada already provides opportunities for foreign graduate students to do research work in chosen fields under the National Research Council, and in 1957, 192 such fellowships were held by fellows from different countries. Under arrangements agreed to at the Trade and Economic Conference in Montreal, scholarships are to be made available to students and teachers in 25 Commonwealth countries. As a result, in a few years there will be 1,000 students and teachers receiving scholarships and fellowships, and Canada has undertaken responsibility for one-quarter of the students and teachers participating therein. These scholarships will contribute a new spirit of wisdom, tolerance and understanding

to the participating nations. The U.S.S.R. is not unmindful of the benefits that flow from such a policy, and while I have no information of the number of Asian students, I am informed that some 2,000 students from Africa are now studying in Moscow, Budapest and Prague.

The West must get to know the East. I think that if finances would permit there is a need for the establishment in Canadian universities of Chairs for the study of Asian history and affairs, and of Commonwealth relationships, as the Commonwealth is by its very nature an object lesson to the world in tolerance as between race and creed. Incidentally, the only university in North America which provides a course on the Commonwealth is located in the Southern United States.

I said earlier that the struggle for the minds of men will depend on the example that each of the nations of the free world give in the laboratories of daily living. Canada needs men and women of dedication and ability to make her contribution to public life.

We live in an age that is dark and menacing which means that there are great challenges and grave problems. We live in a world in which men can reach for the moon and grasp it, which means that there are as great, if not greater and more challenging opportunities than ever before. We live in an age requiring service and sacrifice of men and women who, in the spirit of Mahatma Gandhi,

"ever in his right hand carried gentle peace to silence envious tongues. His prayer each day was: 'Lead me from untruth to truth, lead me from darkness to light'."

John Morley put it this way:

"....not many have so many gifts of the spirit as to be free to choose by what pass they will climb the steep where fame's proud temple shines afar."

But every person having integrity, dedication and a tireless capacity for energy and service has the qualifications for public life.

By 1979 Canada will have a population, according to some prophetic economists, of at least thirty million. It is possible that we will be the only Western country whose population growth has not only kept pace but actually exceeded the world average. Canada's role will be much more than that of an interpreter and intermediary between the great powers. We will then no longer be a middle power, but one of the leading powers of the West. Canada must be prepared for her larger role in the international sphere.

I ask those of you in this audience in whose hearts, hands and minds will lie the responsibility and opportunity for the maintenance and development of that national spirit, to carry on your studies and your activities in the assured belief in the destiny of Canada. Canada's continually rising greatness is assured. To believe that is not wishful thinking or blind optimism. I hope that you will devote your trained minds to the acute and careful analysis of the problems of our times, for that is the best possible exercise to develop the necessary muscles of understanding which you will need when the time comes for you to take active participation in meeting the challenge of the problems of the future. That you will examine and criticize the solutions offered, I have no doubt. It is the prerogative -- indeed, the duty -- of youth to do so.

As William Cowper, the poet, put it:

"And differing judgments serve but to declare
The Truth lies somewhere, if we knew but where."

I ask you to think, and to think in a large way and with a long view, about the kind of Canada that you believe you and your generation are entitled to inherit. To assure the attainment of the Canada of your dreams will require that each and all will give of your time to public service.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/6

CANADA AND PAKISTAN

A speech by Mr. J.G. Diefenbaker, Prime Minister of Canada, at the University of the Punjab, Lahore, Pakistan, on November 17, 1958.

Need I say how deeply moved I am by the warmth of the welcome that you accorded me this morning and also by those very kind words, Mr. Registrar, which you used in introducing me to this degree. I am also deeply honoured that you have thought fit to show your regard for the people of my country in accepting me into the fellowship of this distinguished University. I know, Mr. Chancellor, that my people in my country will treasure the honour which you have conferred on them through me. I would be less than frank if I did not tell you how very deeply moved I have been during my stay in this country by the warmth of your hospitality, the kindnesses extended to me and, above all, by that feeling of oneness which is apparent between your country and mine.

Although my country is distant from yours by many miles, over the years I have come to know, as must all who realize the contribution that universities make to the welfare of all, the high standards and the tradition of your centres of learning. We have been happy to welcome in Canada many who have taken their studies there and gained experience in the techniques of industry and commerce and government. From them we have learned something of the qualities of the spirit which is nurtured and developed in the University of the Punjab. I count myself fortunate to have been honoured as I have, and to have been privileged to pay even so brief a visit here and learn at first hand something of the vigour, the activity, the breadth of vision of the active life of this University. And I know of its development in its affiliated colleges and of its students in the arts and sciences and in the wisdom and culture of Islam.

I know, too, of the developments that are taking place in Pakistan. What moves me more than anything else, Mr. Chancellor, is the tremendous vitality of this country -

this new country in so far as its status is concerned - and the realization that all of you are the architects in the building of a new nation. In that connection, a sound and healthy university cannot be over-emphasized to a young and growing nation. No aspect is more vital, for it is in the university that the future leaders of the country are shaped. I know of the contribution that this huge University has made, its outstanding national service in training men and women for the Government, for the Armed Forces, for industry, for life itself. I pay my tribute to the initiative and the enterprise shown by your sponsorship last year of the International Islamic Colloquium to discuss the problems and potentialities of Islam in the modern world. I am pleased that representatives of Canada were present at that Conference too.

This is my first visit to Asia and, Sir, the first honorary degree that I have ever received outside of America. I think it is fitting that my first host in this vast continent should be Pakistan, a country of historic greatness, one of the most ancient in the world. I have thought of Lahore through the years, conjuring up visions of great Moghul kings, proud Punjabi soldiers, the glories of Muslim architecture. These things I saw yesterday with the eyes of a tourist. Its eminence as a cultural centre in Asia is not a thing of the distant past. Yesterday as I visited the tomb of the revered poet, philosopher, artist, lawyer, linguist, teacher and statesman, Dr. Mohammad Iqbal, I thought of the words of Morley when he said: "Versatility is not a universal gift among the able men of the world. Not many of them have so many gifts of the spirit as to be free to choose by what paths they will climb the Steep where Fame's proud temple shines upon." Iqbal was of that limited group, able to qualify in the description of Morley. I am aware of the proud traditions of this University and of the vital work that it is carrying on. The realization that here in modern Pakistan is a land in which the historical processes of civilization have culminated, the knowledge that Islam proclaims that principle which above all is needed in the world today - that all men are a single nation, a brotherhood of men without bounds of colour, race, country, language or rank - these are the noble ideals that move me as I come in your midst. They are shared by the people of your country and mine, foretelling that unity which must come in the process of time among all the races of men. Vigour, self-reliance, the independent view of life - these things strike a responsive cord in the hearts of Canadians.

I am going to say just a word about Canada, something of our viewpoint, something of what we are, as the heirs of the culture and history of Europe. Our first settlers arrived only three and a half centuries ago; our population is drawn

in the main from Europe. But we have a cultural heritage which we share with you and a bond of brotherhood with you, inherited by the Europeans through Islam. We also have the benefits that your heritages and your culture made possible to all mankind. The development of mathematical thought, astronomy and medicine were made possible, Mr. Chancellor, because Islam, not only provided and enriched the links between East and West, but during the Dark Ages cherished and preserved the knowledge of the ancient Greeks for later generations of Europeans. When I say this it is not in any sense hypothetical, for there are now faculties at McGill University in Canada, and in other universities, for the special study of Islamic thought and deeds, Asian history and affairs. We are aware thereby of the unique gifts to mankind handed down by the enlightened civilizations of Asia and which come to us from Islam.

What I am here for is simply this; to bring to you a message of that new world; to tell you that Canada, having received a tremendous contribution from mankind, now endeavours in its way to repay something of what that heritage has meant to us. Canada has begun to repay some of the older civilizations. We are blessed with abundant natural resources and technical knowledge and modern industrial skills. We recall that the great Muslim scholars of the past did not selfishly harbour their knowledge. They made it available to mankind and we, as a country that has benefitted, think it proper that we should share with them, who did so much for us. We welcome the opportunity of the Colombo Plan to co-operate with the countries in South Asia and to share in the task of new construction and reconstruction. This afternoon I shall see something of the Warsaw Development. These things we intend to continue. We believe that the Colombo Plan accomplishes the tasks at hand in the best and the quickest way. It has not been marred by useless controversy. We prize the opportunity it gives to bring us together to share with you a portion of our mutual heritage.

We also have the privilege to share it with you in another field, that of the membership of both of us in the Commonwealth. I have been deeply touched visiting your Armed Forces and seeing once more the living connection that exists in idealism and ideals between those that have served in that brotherhood, which above all others, causes unity. The Commonwealth is a unique association. I find at the beginning of this tour that there is a link as brothers in an atmosphere of trust and good will. There is no economic or political subordination where nations gather as equal partners. We believe in the concept of the Commonwealth, a union of hearts joined together in interdependence. We believe it contains within it, as a moment ago I quoted from the thoughts of Islam, the vibrant life of true comradeship for all mankind.

I was among those at the Commonwealth Trade and Economic Conference at Montreal, although only on one occasion. It was there agreed that scholarships be made available to students and teachers in Commonwealth countries. The purpose of the scholarships is to make available to young men and women, to whom we hand our heritage of wisdom, an opportunity to learn a wide variety of the subjects of each other's and in each other's lands. Within the next few years there will be a thousand students and teachers participating. Canada will undertake the responsibility of looking after one quarter of the students and also the same proportion of the teachers and experts needed in these countries.

All through the generations of the past, it was a good tradition that scholars should travel. And that is what these scholarships will do. They will throw open the thresholds of learning and create a diversity of understanding and of knowledge. Our peoples will have the opportunity to share under the Colombo Plan and within the Commonwealth the tremendous benefits that come to mind and to body when nations co-operate together. We have continued to accept increasing numbers of foreign students. Four thousand foreign students are in Canadian universities today, five percent of the total enrolment. We have also opportunities for foreign graduate students, including PhD's, who each year have available to them in Canada a large number of fellowships tenable in the laboratories of the National Research Council, in some of the universities and in the Federal Government Departments of Agriculture, Mines and Technical Surveys and National Health and Welfare. These fellowships know no restrictions of nationality. They are open in competition as between Canadians and foreign nationals. Last year 192 of these fellowships were held by fellows from 28 countries, including one from Pakistan, and during the next few months there will be two from this country. Only today I read in the press the announcement of a policy which I believe is indicative of our attitude of co-operation - the announcement of a two-year policy whereby we will make available to the various medical faculties in the universities of ten Colombo countries \$2,500 for medical books, or a total of \$100,000. In other words, in a spirit of co-operation we are building for that brotherhood which is of the essence if peace is to be maintained.

I know there are those who say, what if the Commonwealth cannot survive? Well, those who are cynics and indifferent and selfish say it cannot be. Others endeavour to plot to divide the people of the free world in order to weaken us. Mr. Chancellor, one of the memories that I will carry from this nation is this - the vital unity of the people, a dedication. You have the same feeling that we have.

We are outside the Iron Curtain and we intend to stay outside the Iron Curtain. That is the message that I have received from this nation as I have met with you. Whoever tries to separate us will find that spirit, that unity in comradeship that I mentioned a moment ago, when the soldiers of our nations stood together to defend the world from tyranny, to preserve the sacred ideals of liberty and justice. When our engineers build dams together, when our students learn together, when our statesmen and national leaders confer and confide, we bring about within this Commonwealth of different races and religions, of different forms of government, a unity in the spirit, a dedication to the assurance that any disputes that we have (families will always have disputes) can, and must be, settled in an amicable way.

And I think, Sir, that it is sometimes forgotten what contribution the Commonwealth countries in Asia and Africa have made to the evolution of the concept of the Commonwealth. I saw it a year and a half ago in London when as a novice I joined that Conference of Prime Ministers. Our peoples do not share a common British ancestry; your mother tongue is not English. Nevertheless when your country, like the others, emerged to independent status, it remained within the Commonwealth as an act of choice because of that something that touches our hearts, the common heritage of free institutions, the common recognition of the worth of man. And I see this Commonwealth greater in the years ahead. It has a message for all mankind. Its common heritage - that is something; its dedication to the worthwhile things of life - that is something more. It is a bridge of understanding spanning the five continents of the earth and linking together peoples of every race and creed and colour.

Sir, it has been an inspiring experience for me. I see this new land, and I say new land because it is a new country among the countries of the world. We, who are growing older, look at the student body and wish once more that we could be with them to see something of what will happen in their life times. If I could give a message to the student body of this University, now mine by adoption, it would be this: to the young men and young women - be participants in the great opportunity that has come to you. In the practice of your citizenship, don't be standers-by. Join in the achievement of being architects of Pakistan's future. What vistas of opportunity are open to you. Leaders, leaders needed today, leaders that only the universities can give, you have a challenging future and great opportunities. May you be the leaders whose principles will never be tailored to materialistic aims or to the winds of ill-considered public opinion. May you never deny yourself the courage to take the offensive for the things that are just and right. May you always, understanding freedom, live it and cherish it. May you be the architects of the greatness of a great Pakistan. May you

realize with Edmund Burke that only in individual contribution can a nation be great. All that is necessary for the triumph of evil is that good men do nothing. That is my simple message to you.

Sir, Mr. Chancellor and Mr. Vice-Chancellor, I am deeply moved by the honour that you have done me. Thank you for the opportunity to speak these few words to you. What it has done has been to enable me to reaffirm my country's admiration for Pakistan and its Islamic heritage, to show our sympathetic interest in the problems of your country, to place before you that view, that is mine, of the necessity of the maintenance of our Commonwealth ties. I can see that your achievements have been splendid, remarkable, outstanding. My sincere desire, and the desire of Canada, is to work with you in whatever way we can, to join with you in the building of this strong, rich heritage of freedom in this cradle of ancient civilizations. Raising standards, giving men and women new hopes, showing them that horizon of the future - these are possible so long as there are universities that send forth leaders whose dedication is not materialistic but is founded upon the things of the spirit. Then greatness in individuals as well as nations is assured. Again, Sir, from the bottom of my heart I thank you for the honour that has been done me.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/7

THE ROLE OF THE UNIVERSITY IN THE MODERN WORLD

A speech by Mr. John G. Diefenbaker, Prime Minister of Canada, at the Convocation of the University of Delhi, on November 22, 1958.

First, I must express my profound thanks and appreciation for the honour that has been done to me on behalf of my country. I am deeply appreciative of the fact that you have adopted me as a member of this great group and company, joined together as the University of Delhi. ...

Mr. Chancellor, I came to India as a student. Perhaps I have graduated rather more quickly, and certainly with less difficulty, on this occasion than on an earlier occasion, not so many years ago. I must say, Sir, and I have said this on a number of occasions lately, that the welcome that I have received here in India is something my wife and I will always treasure. It is an example of the warm friendship which is one of those things that has become part and parcel of the Commonwealth. As I listened to your words, Mr. Vice-Chancellor, in which you pointed out that we were bound by the silken threads of ideas shared in common and implemented in practice, I could not but feel an added fellowship in being honoured as I have been on this occasion.

I would like to say to you, Sir, Mr. Chancellor, that it is an added honour to have the degree at your hands. As Chancellor of this university, and as the Vice-President of India, you are esteemed everywhere in the world as one of the most distinguished scholars in the world and as a dedicated servant, not only to the Indian nation, but to the people of mankind as a whole. The Canadians have had the privilege of hearing you speak on more than one occasion. I need not recall to you that occasion at McGill University when you delivered the Beatty Lectures; when you shared with the Canadians your wisdom and clothed it with the majestic and inspiring language for which you are noted.

Though we are separated by many thousand miles, the quality and tradition of India's centres of learning, and of this University of Delhi, are known to Canadians and

Canada has welcomed many of your students. Indeed, in the universities of Asia, many of the well-springs of philosophy and science which we accept as part of our heritage, had their inspiration. It is in these universities, and in all universities which are dedicated, as this university is, to the abiding principles to which the Vice-Chancellor made a reference in speaking of the community of interest between Canada and India -- it is in these universities that the minds of future leaders are given wisdom. That is the highest contribution that any university can make. For when a man's mind, enriched by the knowledge of differing philosophies and thought, has learned to separate truth from falsehood and fact from fancy, then only and only then is the road to wisdom open to him.

It must not be forgotten in this scientific age that the enrichment of human life comes from an appreciation of philosophy, of literature and of art, and provides a brotherhood of the spirit which is of the essence in the maintenance of peace and the enrichment of mankind. No university, wherever it may be, which does not constitute itself as the guardian of freedom of thought and is not constantly engaged in search of truth, can achieve the highest service. And when I speak of truth, will you allow me to quote from a fellow-graduate of yours, Mr. Chancellor, the world-famous Doctor, Sir William Osler, when he said: "The Truth is the best that you can get with your best endeavour -- the best that the best men accept". And I think of the other definition of truth given by that incomparable leader, that man whose life's purpose was to serve others -- I refer of course to Mahatma Gandhi -- when he said this: "Truth is like a vast tree -- it yields more and more fruit the more you nurture it." I might say, paraphrasing those words, that peace is like a vast tree which yields more and more fruit, the more we nurture it, as we in Canada and as you in India endeavour to do. While I realize that there will be some who will not agree with me in this, being of the legal profession, I am one of those who believe that, while the trend in recent years has been away from the humanities, more and more mankind is realizing the necessity of the maintenance of the liberal arts. A stern struggle is being waged between the liberal arts and the sciences. Indeed, it has been epigrammatically summarized in this way, following the words of Gilbert and Sullivan: "Every boy and every girl that's born into the world this year must be a little scientist or a little engineer".

I am among those who believe that, while emphasis on scientific knowledge and achievements is of paramount importance in raising the standards of mankind, the elevation of those things which are within our grasp, we must at no time forsake

the enrichment of the spirit which contributes to the freedom of the mind. Nor may we permit ourselves the luxury of subverting education to materialistic purposes, thereby bringing about the irretrievable loss of freedom itself. Science, by discovery and research, has made it possible for mankind to live as never before and to die in a manner never before contemplated. The unrealities of space fiction have become realities in the launching of satellites and the attempts to reach the moon. These are achievements that have been attained as a result of the scientific institutions and competition between scientists in various parts of the world. Materialism, however, should not become a guiding star or a guiding principle of universities and at no time should there be subordination of scientific study to State purposes. As I look to the years ahead, while believing that the liberal arts must receive the first consideration, I realize that there will be in the nature of things a vast increase in the number of those taking engineering and applied science courses. But again I say that the increase in the number of graduates in science and engineering emphasizes the necessity of there being no sacrifice of the social studies which contribute to a full and purposeful life. This university under your Chancellorship, Sir, and under your predecessors, has been acclaimed as maintaining the primacy of the spiritual springs from which it draws its strength, while at the same time being one of the leading institutions of science.

Now, may I say a word for Canada. We owe a tremendous debt to Asia, for the heritage of those things, those worthwhile things that are ours, and for the maintenance of principles during the Dark Ages. Canada obviously cannot make a comparable contribution, nor can she hope to repay the debt that she owes to older civilizations. We are blessed, however, with abundant natural resources and modern technical and industrial skills and Canada is, in the spirit referred to in the citation, prepared, I assure you, to share these with other nations such as India. Canada welcomes the opportunity referred to by the Vice-Chancellor to co-operate with India and other countries in a spirit of brotherhood and to make its contribution materially through the Colombo Plan.

We also joined with other nations at the Commonwealth Conference in Montreal last September in a measure to preserve these spiritual things. The essence of our proposal is to provide for an exchange of opinion and exchange of students. This is one of the suggestions that I placed before the Commonwealth Conference, though others had done so earlier. The establishment of a system of exchange scholarships will in a very few years, possibly within two years, provide for an exchange of 1000 students and teachers between various parts of the Commonwealth, thereby providing in effect a University

in the Commonwealth. In this we are following the principles upon which universities were originally constituted, namely, that the world's scholars should gather together. We intend in Canada to look after one quarter of the students participating in the scheme and to supply the same number of teachers and experts needed for the purpose in other countries. These scholarships, as I said, will provide new vistas of opportunity, wisdom and tolerance among the various peoples of the Commonwealth.

We in Canada accept quite large numbers of students from other countries. Indeed, today we find ourselves with an ever-mounting increase of the numbers of students, as I am sure you do, and we are faced with the difficulty of providing the necessary technical provisions that are requisite to the increase -- the necessary buildings and facilities. Even so, out of our total university enrolment of 86,000 we have today approximately 4,000 from other countries, including India. They bring to us a new viewpoint and a new realization of that common concept of brotherhood which universities provide in all parts of the world.

We also provide opportunities -- and I am not trying to secure mobilisation of recruits, Mr. Vice-Chancellor -- but we also provide opportunities for graduate students, including Ph.D.'s, to carry on research work in their chosen fields. Our National Research Council provides scholarships tenable in the laboratories of the Council and providing as well the necessary openings in the Departments of Agriculture, Mines and Technical Surveys and in the Department of National Health and Welfare. These fellowships and scholarships are awarded on the basis of competition, wherein any student anywhere in the world within the Commonwealth, may compete on terms of equality with the students of our own country.

Sir, as I am about to leave India, I repeat what I said last evening and which is something that bears repeating: I again express that deep emotion that is mine. I thank this university, Mr. Prime Minister and the people of India as a whole, for that indescribably kind and friendly reception that has been accorded to my wife and myself here.

The public men of this country have been the personification, internationally and within the Commonwealth, of those principles for which we stand. I know that sometimes those who are politicians are not regarded -- I am speaking about my own country -- with universal approbation; they are subjected to a measure of criticism that is sometimes cynical in its origin. But I am one of those who believe that, while science can make its contribution and must continue to do so, the study of economics and sociology provides the means whereby we may raise standards and understand each other better.

And the final transition of those principles or of those discoveries into practical application for the benefit of the people rests in a large degree with the politicians. If I may say so, Mr. Chancellor, you are the exemplification of that principle that I now enunciate. Participation in public affairs is of necessity a major responsibility of our universities. It is their responsibility to achieve the Greek ideal of the citizen participating actively and particularly in the affairs of community, so that thereby we shall be enabled, in the responsibilities that are ours in public life, to think like men of action and act like men of thought.

Freedom is the quality of mind and spirit that binds us together, as you said, Sir, in the all too kind citation. Let me add this: that free institutions are the creation of free minds and free spirits and the challenge today to the universities is that we shall maintain at all times and at all costs the freedom to think, to search for the truth and in our own way to find the truth. I believe that this university, now mine by adoption, measures up in a large degree to my understanding of the major function of a university.

Mr. Chancellor, I see India great in tradition, magnificent in its service to mankind. I see India in the days ahead with a larger and greater vista for the world's service than ever before. I see her in that position because she has seemed to me, in my all too short visit to various parts of this country, to have mobilised, in the spirit of Gandhi, men and women devoted to public service who, in the words of Arnold Toynbee, "will not accept the inevitability of the present but will help to form it". That is my message to you today, deeply fascinated as I am by what I have seen, inspired by these Plans, these economic plans, designed to raise the standards of the people.

I leave you by again using the words that I used last evening, the authorship of which I have not been able to determine, which through the years have been an inspiration to me; words which I understand had an important place on me of the tablets in this country; words representative of the eternal realities and of the demands life makes on every one of us: "In thought, have faith; in words have wisdom; in life give service; in death be courageous". So will India be great.

Mr. Chancellor, I thank you for this honour to my country which I know will be treasured by my people as it will be by me.

GOVERNMENT



OF CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

59/8

THE IMPORTANCE OF ACADEMIC EXCHANGES IN INTERNATIONAL RELATIONS

An address by Mr. Sidney E. Smith, Secretary of State for External Affairs, to the Convocation of the University of Illinois, Urbana, Illinois, on January 25, 1959.

Some weeks ago, President Henry was kind enough to send to me a copy of the press release issued by the University in connection with this convocation and this document reveals that although my most immediate concerns are now the intricacies of the political scene, both national and international, they have not always been so, and I cannot conceal my pleasure at being present for these familiar academic proceedings. My pleasure is the greater because of the honour which has been done me in inviting me to address Convocation, and in particular in giving me this opportunity to extend greetings and congratulations to today's graduates. That you have as students brought credit to yourselves and to your university has been demonstrated today in the conferring of degrees.

I would remind you, however, that the privileges and obligations of membership in an academic community do not cease with today's formal ceremonies. Indeed, as graduates of this institution of learning, you are entering into a much wider if more diffuse association than the immediate one to which you belonged as undergraduates. As alumni, your first loyalty will be to your alma mater - and your most vivid recollections will be of the experiences, intellectual and otherwise, which were yours during your student days. But it is not what you are leaving behind that I ask you to consider. It is rather the fact that, whatever endeavours you may now undertake, you do so in good company, as members of the commonwealth of civilized thought, as citizens of the republic of learning. The only boundaries to your potential experiences and discoveries are your own personal inclinations and the outermost limits of the mind and spirit, where particular loyalties and national allegiances disappear into a deeper and more comprehensive tradition.

In these surroundings and at this particular time, it would be difficult to offer a better symbol of this comprehensive tradition than Abraham Lincoln, who is honoured not only locally and nationally, but also throughout every part of the world where men live by the same ideals as those to which Lincoln dedicated himself. I recently returned from an official visit to Brazil and there, in the office of the governor of one of the Brazilian States, I was not surprised to find in a prominent place, a commanding portrait of this great American President. Nor is it any more surprising that the Mayor of West Berlin, whose native language may not be Lincoln's but whose voice rings with the same timbre of freedom, will deliver the annual Lincoln Day address in Springfield. And nowhere outside of the United States is the the memory of Lincoln more revered and more respected than in my own country. Abraham Lincoln is one of the few heroes of childhood years for whom admiration and affection only increase over the years of our lives, as the depth and magnitude of his life and achievements become the more appreciated against the background of our own experiences, aspirations, successes and failures. I believe that the almost universal appeal and meaningfulness of a symbol such as Lincoln is one of the most powerful psychological bonds within the free world and especially between Canada and the United States, between whom the bonds of international understanding are close and indestructible.

Let me assure you now that I do not intend to deliver the usual sermon on the sources of the Canadian-American entente, based on such commandments from the sacred scrolls as "thou shalt not defend the undefended border". I hasten to add, however, that I consider the commandments no less mandatory because they are so frequently discussed.

Less frequent and more appropriate in this present company, are references to a less dramatic perhaps, but enormously effective means of deepening our understanding of each other. I refer to the exchange of students and professors between our two countries.

Between Canada and the United States there may be differences, some of them very important, in tradition, in contemporary attitudes, but these are honest differences arising out of the inescapable fact that there are and will continue to be two separate political communities existing in the Continent of North America. Such differences, we may be thankful, do not arise out of deliberate distortions of facts or wilful misrepresentation. There are not now and as far as I can ascertain, there never have been any intellectual barriers between us. The freest possible flow of ideas across national boundaries, just as candid exchanges of views either between private citizens or government representatives, are the best possible form of insurance against the sort of mistrust and international paranoia which are so distressing a feature of the contemporary world.

It is not because Canadians and Americans are basically different from the peoples of any other two neighbouring nations that we get along so well together. We are not more virtuous, nor do we have any special criteria which apply only in our dealings with each other. What is perhaps special, is the fact that we both recognize that differences are bound to arise between us, that such differences do not divide us, and that the best way to settle our problems is to sit down together and talk things over, without a lot of fuss and fanfare. Only a few weeks ago some of my colleagues and I in the Canadian Government had the pleasure of being hosts in Ottawa to members of the U.S. Government for a meeting of the Joint Committee on Trade and Economic Affairs. Our deliberations were not protracted and they were not spectacular but this was not because of any lack of important matters on our agenda. We did have problems of significance to both countries to discuss but we did so in a spirit of complete frankness and cordiality, and as a result I am sure that each other's point of view is the better understood and respected. I would reiterate that we owe this remarkable degree of intimacy not to any innate and mystical kind of "we-were-made-for-each-other" sympathy, but rather to cold hard facts of life which we have learned, sometimes by bitter experience, in the process of establishing and maintaining two separate households in North America.

The pattern of co-operation which has been built up between Canada and the U.S. as separate international entities, is, I firmly believe, something which has been achieved rather than bestowed by a benign historic and geographical providence. It is a tribute to the spirit of mutual accommodation which we have developed that we do not remind ourselves more often than we do - and I refer to Americans as well as Canadians - of the fact that this experience has not always been harmonious. Unlike the Bourbons however, we have learned, and if not forgotten - the historians see to that - at least we have learned to overlook.

In achieving this degree of mutual understanding I am convinced that the universities of our two countries and the close bonds of co-operation which they have developed have played no small part. Over the years there has been a steady growth in the two-way traffic between Canadian and American universities. An ever increasing number of Canadian students, both graduates and undergraduates, are studying for at least a year and often longer on American campuses. For the academic year 1957-58 there were no less than 5300 Canadians in approximate numbers engaged in studies in this country, many of them able to do so through the generosity of your universities in not limiting scholarship assistance to students from the United States. This breadth of spirit on your part is surely a manifestation of the best traditions of the academic world and has too often been taken for granted and gone unacknowledged. And the situation is happily not unreciprocal; for the 1957-58 academic year there were in Canada between 1700 and 1800 students from the United States.

But the close ties between our universities are not limited to student exchange. In addition, the tradition of visiting professors is one which we have honoured, and which has helped to inspire new perspectives and to produce flourishing new hybrids in the realm of ideas by cross-fertilization of the best strains of thought. Surely the same is true with regard to the fact that the pages of scholarly journals are not closed to anyone other than the nationals of the country of its publication. If other examples be needed to complete the pattern of our academic inter-relationships, I would mention very briefly the increasing use to which the unique historical materials in the Public Archives of Canada in Ottawa are being put by students from the United States, and the increasing awareness on their part that this continent's significant events over the past three centuries are not confined to a revolution and a civil war. No visiting scholars could be more welcome. At the same time I find it both heartening and interesting that centres of Canadian studies are being established at American universities and that the only Centre for Commonwealth Studies as a separate undertaking exists at Duke University in the United States of America.

There is, I need hardly remind you, a vast flow of people crossing our border in one direction or the other each year, but from this flow I have singled out one relatively small stream because its qualitative importance in the long run is far out of proportion to its quantitative size. To me, one Canadian student who has lived in your country for a year and come to know something at firsthand of the United States, of its people and of their thinking on contemporary problems is far more significant, in terms of exercising a reasoned and responsible influence in his community, than are the countless tourists who know little more of the United States than that Florida is warm and pleasant in the winter. The reverse situation is equally effective in dispelling the idea so prevalent in the United States that Canada is a broad and beautiful holiday hinterland which differs in few if any significant ways from its neighbour. It is a sad reflection on the age of mass misinformation in which we seem sometimes helplessly to be immersed, that such are the criteria by which popular assessments are often made. However deplorable such standards may be, they are nonetheless all too frequently applied, and to them the only effective counterpoise is to be found in a free, uninhibited and vigorous intellectual exchange across our borders. I can think of no more effective medium through which this two-way traffic, the life-blood of our stable and friendly relationship, can be conducted than the university community.

Whatever is true for Canada and the United States should, I assert, be applicable in principle to the rest of the world. The Canada - United States relationship is not as unique in character as it is sometimes made out to be. It is true, of course, that there are some unique aspects to it but it is primarily a sound and sensible relationship because we have

wanted to make it so and because we have learned by experience that we can trust each other. The engineers who have built the indestructible bridges of understanding between us have numbered among their company a good many itinerant scholars who have ventured out from their own immediate world in search of inspiration elsewhere, in search of stimulating and challenging new horizons.

To a Canadian, and especially to a Canadian whose most immediate concerns are those of my own portfolio, there are other bridges of tolerance and understanding spanning the world, no less important than those which span the 49th parallel. I refer to the Commonwealth, that association of independent nations which has emerged with a new sense of vitality from an imperial organization of an earlier time. It is not my intention to try to reveal to you, as Canadians before American audiences are so often willing to do, the mysteries of the nature of the Commonwealth. Rather, I prefer in these august academic surroundings to deal with facts and in the contemporary international scene, there are few more compelling facts than the existence of the Commonwealth and its potential influence as a force for peace and goodwill throughout the world. In the Commonwealth, Canadians see not a power bloc, or a pressure group, or a militant lobby which might serve as a means of imposing our wishes on others. We see instead a loose and flexible and friendly channel of communication between diverse areas and peoples of the world. With the rapid rise to independent status of so many new national units in recent years, there has been the ever-present danger of a breakdown of communication between these and the older nations of the international community. There has been the danger of erecting, in response to resurgent and militant nationalisms, national barriers and ramparts of prejudice which can be as dangerous in one sense as the most lethal machines of destruction. The Commonwealth, I maintain proudly as one who numbers himself as one of its citizens, has by its very nature exercised a moderating effect on some of these trends. In making this assertion I do not speak in a patronizing spirit of something which the white, Anglo-Saxon, natively English-speaking members of the Commonwealth family have achieved. On the contrary, the achievement, if it can be termed such, is really that of all members of the Commonwealth on the basis of complete equality, for their decision to remain in this association is one which each has taken without compulsion. To the question, why do the members of the Commonwealth stay together in this peculiar association, there is a very simple answer which is not unlike the answer to the question, why do Canada and the United States get on so well together; because they want to; because the leaders of these nations recognize that in the channels of friendly exchange and interchange available through Commonwealth membership, there exist opportunities which might otherwise be unavailable, or at least more difficult of attainment, for correcting the myopic perspectives which often afflict the vision of national governments.

In the evolution of this free association of independent states, the role of the university has been an enormously important one. This is not casual speculation but an indisputable fact. In particular, the Commonwealth stands greatly in the debt of the older universities of the United Kingdom which in earlier days formed the intellectual focus of the Empire, drawing students from the most remote corners of a far-flung imperial system. It is a tribute to the overriding wisdom and to the independence of these institutions that the ideas and ideals which they promulgated were not dictated by political exigencies. That students who, during the most formative years of their lives studied in the United Kingdom, later returned home to play leading roles in the achievement of independence for their countries is beyond doubt. At the same time these same leaders have insisted on maintaining close association with other Commonwealth members with whom they share similar values and ideals.

In recognition of the singular importance which universities have played in the ever-changing mosaic of the Commonwealth, a decision was recently taken at the Commonwealth Trade and Economic Conference which met in Montreal in September, to institute a far-reaching programme of scholarships and fellowships for Commonwealth students. Although the details of this programme remain to be settled, it is envisaged that when in full operation, almost one thousand students from Commonwealth countries will be studying in any given year in the universities of other Commonwealth members. Conferences of Prime Ministers and Foreign Ministers provide governments with splendid opportunities for exchanging views. Beyond the realm of policy, however, there is the important - and in the relations between democratic states, perhaps more important - area of understanding and friendship amongst private citizens. If this new scholarship programme helps to train those who will occupy positions of authority and responsibility in the public life of their countries, we will be satisfied. We will be better satisfied if it results over the course of years, in the predisposition on the part of anyone, regardless of his citizenship or vocation, towards a more sympathetic understanding of those who may differ from him; if it results in an engineer from Asia having a clearer idea of parliamentary democracy in Canada and a Canadian teacher having deeper and fuller appreciation of the rich and colourful heritage of Asia. Such benefits as may accrue from this imaginative project are not those, we expect, that will be measured in terms of kilowatts or miles of paved highway or even in terms of the new fetish of our times, the gross national product. If this multilateral exchange can open new intellectual perspectives for even a few citizens of some countries of the world, and if it can foster an awareness on the part of only a relative few that the inevitable differences which exist between and among the peoples of the world need not be regarded as threatening, the universities of the Commonwealth will have provided an enormous service, not only to the Commonwealth, but also to the whole world. For in this association, we see not an exclusive club but an international testing ground, a microcosm of things as they might be.

I have taken you far afield in attempting to describe the influence of the university in fashioning the ties of friendship which exist between Canada and the Republic of the United States and between Canada and the Commonwealth of Nations. I now return to my original point of departure and suggest to you that this constructive influence has been able to make itself felt simply because the university as such has refused to bow to national considerations and swears first allegiance to the universal republic of learning and the comprehensive commonwealth of civilized human thought. To the humanizing and civilizing mission of the university, the contemporary world looks with greater expectation and with higher hope than ever before in recorded history. Spanning the gulf of time, and all the barriers of geography and all man-made boundaries is the human capability, the capacity for the understanding and appreciation of our fellow man. In that capability is our greatest hope and in our universities are our most effective laboratories for its creative development. Wars begin in the minds of men. In the universities of the free world - and I have the privilege of speaking at one of this illustrious company - is the only effective equipment for opening the mind which is narrow, biased, one-track or, more fraught with danger, closed.

I salute this company of graduates, one and all, and bid you Godspeed in whatever direction you may have chosen for yourself. May the charts of the human spirit which you have been privileged to glimpse, even if only briefly during your years at this university, serve you well in the specific voyages you have undertaken and in the challenging days of discovery which lie ahead for all of us.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/9 THE JOINT UNITED STATES-CANADIAN COMMITTEE
ON TRADE AND ECONOMIC AFFAIRS

A communique issued by the Committee at the conclusion of its meetings in Ottawa, on January 6, 1959.

The Joint United States-Canadian Committee on Trade and Economic Affairs met in Ottawa on January 5 and 6, 1959.

The United States was represented by:

Hon. Robert B. Anderson,
Secretary of the Treasury

Hon. Fred A. Seaton,
Secretary of the Interior

Hon. Lewis L. Strauss,
Secretary of Commerce

Hon. C. Douglas Dillon,
Under-Secretary of State for Economic Affairs

Hon. Marvin L. McLain,
Assistant Secretary of Agriculture.

Canada was represented by:

Mr. Donald M. Fleming,
Minister of Finance

Mr. Gordon Churchill,
Minister of Trade and Commerce

Mr. Douglas S. Harkness,
Minister of Agriculture

Mr. E.D. Fulton,
Minister of Justice

Mr. Sidney Smith,
Secretary of State for External Affairs.

Senior officials from both Governments also attended the meetings.

The Committee reviewed the developments that have occurred in the world economic situation since its last meeting and took considerable satisfaction from what has been accomplished. The recession in the United States and Canada has given way to recovery and business activity in both countries is accelerating. Imports by the United States from the rest of the world were much less affected by the slackening of activity than might have been anticipated. The gold and dollar reserves of most of the major trading countries in other quarters of the globe have increased substantially, and this has facilitated important steps to remove their exchange and import restrictions. In Europe, progress has been made toward economic integration, and efforts are being pursued in spite of many difficulties to establish a broader association with the European Common Market. It is hoped that these developments will increasingly create larger opportunities not only for European but also for overseas producers. It is thus evident that, in many ways, the co-operative efforts which have been made by many countries, including the United States and Canada, to create conditions in which goods and currencies could be freely exchanged over the widest possible area are now bearing fruit.

In particular, the Committee welcomed the measures that have been recently introduced for the convertibility of sterling and of other currencies. These measures were foreshadowed at the time of the Commonwealth Trade and Economic Conference last September. They are evidence of the degree of economic strength and equilibrium that has now been achieved. They may also be regarded as a promise of further progress. Convertibility has removed the financial justification for discriminating against dollar suppliers, and should be followed by further moves by the countries concerned to provide non-discriminatory access to their markets for goods from the United States, Canada and other countries. The financial strength which has supplied the indispensable basis for convertibility should also make possible general progress in dismantling quantitative restrictions. The United States and Canadian Governments will be watching with close and sympathetic interest the way in which the logic of the new situation is translated into action.

Consideration was also given to the growing activity of the communist bloc countries in world trade. It was agreed that this development made it all the more necessary to stimulate trade and development throughout the free world.

In the spirit of the friendliness that has long characterized relations between the United States and Canada and of the Agreements to which both countries have subscribed, the Committee examined various issues that have an immediate bearing on trade and economic relations between the two countries. It was recognized that from time to time temporary measures might have to be taken to meet emergency problems of particular groups of domestic producers. But it was agreed that every effort should be made to keep such exceptional measures to a minimum and, so far as possible, to limit their scope and duration. It was also

agreed that wherever feasible there should be close consultation in advance between the two Governments whenever it seemed necessary for the Government of one country to take action which might affect the commercial or economic interests of the other.

The Canadian Ministers expressed their continuing concern over the quota restrictions imposed by the United States last September on imports of lead and zinc and outlined the effects they are having on the Canadian mining industry. The United States representatives hoped these restrictions could be withdrawn as soon as more satisfactory international solutions on a broader basis are found. In the meantime, it was agreed that both Governments would explore further the possibility of developing such equitable solutions.

The United States representatives set out the grounds for their concern as to the amendments made last year in the Canadian Customs Act. They were assured by the Canadian Ministers that it is not intended to apply the new provisions of the Act in either a discriminatory or an arbitrary manner and that consultation would be held wherever feasible before applying the new provisions.

The United States representatives also expressed concern with respect to the import restrictions which the Canadian Government has recently placed on certain agricultural products, and especially on turkeys and frozen peas.

The current voluntary limitations on the entry of petroleum into the United States were discussed. A careful review was made of the factors affecting petroleum supply and demand, not only in the United States and Canada but throughout the world. The Committee agreed that continued exploration and development were necessary on defence grounds. The Committee also agreed on the importance of continuing growth and stability to the oil industry, without which the incentive for further exploration and development would disappear. They agreed on the importance of maintaining a healthy and dynamic oil industry throughout the Western Hemisphere. Various aspects of the problem were discussed and the representatives of the two countries agreed to take into consideration all of the opinions expressed in developing their policies. They will continue their studies and consultations with reference to this complex problem.

In reviewing agricultural problems, Ministers agreed that incentives leading to an aggravation of surpluses were to be avoided. In regard to the United States programmes of surplus disposal, Canadian Ministers noted with satisfaction that the impact on Canadian trade had abated since the last meeting of the Committee. However, they expressed anxiety about tied-in sales and about the recent changes that have been made in the regulations governing barter transactions. The United States renewed the assurances given at the last meeting of the Committee that in all surplus disposal activities they would endeavour to avoid, insofar as possible, interfering

with normal commercial marketings. They also re-affirmed that barter contracts must result in a net increase in exports of the agricultural commodity involved. In order to give effect to these assurances, insofar as they related to exports of wheat, flour and other grains, it was agreed that, in addition to other consultation, quarterly meetings of wheat experts from the two countries should be held in an attempt to solve periodically any problems involving wheat and flour, including those arising from United States surplus disposal operations.

The Committee agreed that agricultural surpluses should be used to alleviate distress arising from famine and other disasters throughout the world, and could also help to promote the economic development of less-developed countries. They agreed that the two Governments would keep each other informed of programmes intended to serve such purposes.

Some aspects of the relations between Canadian subsidiaries and their parent companies in the United States came under examination. The Ministers reviewed the arrangements made last summer under which the United States undertook to consider licenses to parent companies in the United States on a case-by-case basis which would relieve them from the prohibition against transactions with Communist China insofar as their Canadian subsidiaries were concerned.

The anti-trust proceedings recently launched in the United States Courts against the parent companies of Canadian subsidiaries in respect of the participation of those subsidiaries in Canadian Radio Patents Limited were also discussed. The Canadian Ministers expressed their concern over the extra-territorial effect of the decree sought by the United States Department of Justice and the implications of such action with regard to control over Canadian companies acting in conformity with Canadian laws and Canadian commercial policy. United States representatives emphasized that their Government's policy is based upon the enforcement of United States law companies doing business in the United States and that their Government has no intention of infringing upon the sovereignty of the Canadian Government with respect to companies engaged in business in Canada. It was agreed that the general questions involved would be the subject of further discussions between the two Governments at the Ministerial level, and arrangements are being put in hand accordingly for a meeting.

The United States representatives reviewed with the Canadian Ministers the proposal for a new International Development Association to be affiliated with the International Bank, and the Canadian Ministers agreed to study it.

The members of the Committee expressed their renewed realization of the value of their meetings, which afford opportunities for intimate consultation on matters of common interest to the two countries in their trade and economic relations.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/10

CANADA'S EXPANDING TRADE

An address by Mr. Gordon Churchill, Minister of Trade and Commerce, to the Canadian Club of Toronto, on February 2, 1959.

Canada's expanding trade is a subject of great importance, for throughout our history exports have played a major role in the economic life of our country. An abundance of natural resources has led to the production of materials greatly in excess of domestic needs. These surpluses of resource products are the basis of Canada's position as the fourth largest exporter in the world. Our total trade of exports and imports, amounting each year to \$600 per person, and to a total of over \$10 billion has made Canada the foremost trading nation of the world. It is estimated that one out of every five Canadians is dependent for his livelihood on our export trade.

Trade has been important to your great city from its earliest days. In 1803, ten years after the founding of York by Sir John Graves Simcoe, there is a record of exports to Lower Canada consisting of the following items:

18,000 feet of Black Walnut boards and planks
350 feet of Red Cedar Timber,
Flour, pork, beef, hams, pot and pearl ash,
Two barrels of essence of spruce and some hog's lard.

From that time onward, Toronto has provided a stimulus and drive towards trade that has made this city one of the most important on the continent and a leader in the life of Canada.

With the development of our country, Canada's exports have continued to grow both in volume and variety. Within the last decade, a major broadening of Canada's export base has occurred. Despite the recent decline of about 7 per cent in world trade, Canada's sales in foreign markets have been maintained. Shipments of some of our principal forest and mineral products were reduced, but increased exports of wheat, uranium, beef cattle, natural gas, farm implements and aircraft offset these

declines. Preliminary export statistics for 1958 indicate that our sales abroad equalled the almost \$5 billion record set in 1957. A few items and figures may be quoted by way of example: shipments of beef cattle increased from \$42 million in 1957 to \$84 million in 1958; natural gas exports from \$2 million to \$18 million; agricultural machinery from \$70 million to \$98 million; and uranium exports from \$128 million to \$277 million.

Imports, on the basis of 11 months' figures, declined by about 9 per cent during 1958. The major reductions occurred in our purchases of capital equipment and materials from the United States. Imports from the United Kingdom were well maintained and British exporters consequently increased their share of the total Canadian market for imported goods. Another development associated with a lower rate of imports was a substantial decline in our merchandise trade deficit. This figure was reduced to \$289 million during the first 11 months of the year, as compared with \$750 million for the same period in 1957.

The changing pattern of Canada's trade is an interesting study. In the very early days, the fur trade was dominant, succeeded by timber exports, then by agricultural produce. Now, in our day, we find a gradual increase in products other than those derived from the forest and the farm, and a steady growth in the export of manufactured articles.

In 1927, the ten leading exports from Canada were: wheat, newsprint, wheat flour, planks and boards, wood pulp, fish, automobiles, meats, barley, and cheese. Thirty years later, in 1957, four of these products - namely, newsprint, wheat, planks and boards, and wood pulp retained their position, but the other six were replaced by aluminum, nickel, copper, iron ore, petroleum and asbestos.

There has been a shift also in our imports. In 1927, the ten most important were coal, machinery, crude petroleum, raw sugar, automobile parts, spirits and wines, automobiles, iron and steel products, raw rubber, and silk fabrics and velvets. In 1957, the list reads: machinery, automobile parts, petroleum, electrical apparatus, iron and steel products, tractors and parts, automobiles, pipes and tubes, internal combustion engines, and coal.

The shift in emphasis in our export trade may be seen even more clearly by considering the three major groupings - farm products, forest products and mineral products - and by comparing exports for the period 1936-39 with our exports for the year 1956. In that pre-war period, 38.4 per cent of our exports originated on our farms; in 1956, that percentage had declined to 22.7 per cent of the total. Forest products exports rose from a percentage of 24.7 to 31.6 and mineral products from 29.1 per cent to 36.7 per cent.

This decline in the percentage of exports from the farm does not mean any decline in volume, for our general export trade has advanced from a total of \$1.25 billion thirty years ago to a total of \$4.75 billion in 1956. Wheat was our principal export item for many years, now displaced by newsprint. But wheat exports in 1939 were 163 million bushels, valued at \$109 million, and rose to 302 million bushels in 1956, valued at \$513 million.

These figures are all derived from the Canada Year Book, 1957-58.

Another mode of comparison is by considering our exports on the basis of industrial origin and using the descriptive terms, raw materials, partly manufactured, and chiefly manufactured. Thirty years ago, 47 per cent of our total exports consisted of raw materials; in 1957 the percentage had dropped to 31. Partly manufactured materials rose from 15 per cent to 32 per cent; and chiefly manufactured maintained its position, being 38 per cent in the earlier period and 37 per cent in 1956. Once again, of course, we must keep in mind the almost four-fold increase in volume that has occurred in this thirty-year period, but it is interesting to observe the steady development of the processing of our raw materials at home.

That there is plenty of room for continuing this process may be observed by considering our imports. These are for the most part manufactured products, the percentages being 75 thirty years ago, rising to 82.5 per cent in 1956..

Canada has maintained her export business at a record level. This has been due in part to the great expansion since the war. During the last eight years, our exports have been enlarged, in volume terms, by more than one-third. In the last four years they have gone up by one-fifth. Pulp and newsprint have gone up by 40 per cent; aluminum smelting has doubled in the last six years; nickel and asbestos exports have doubled since the war; exports of iron ore have increased from 2.5 million tons to 20 million tons; oil exports are up to \$140 million; uranium has mushroomed and may be our leading mineral export in 1959 with production valued at \$300 million.

The overall growth in the development of our export industries has had a marked effect on employment. In the rapidly growing chemical industry 8,000 new jobs have been created in five years; uranium mining and processing has attracted 15,000 persons. Declines in one sector of our economy are offset by increases in others.

These enterprises, in addition to creating new wealth and new jobs, are extending settlement into hitherto unpopulated areas and by so pushing back Canada's frontier are contributing immeasurably to the future development of the country.

A further secondary effect of rising exports has been the tremendous stimulus given to capital goods industries. The additional demands arising from new plant and equipment requirements in export industries have been a major factor in the expansion of construction and equipment-producing industries.

Our export trade plays a dynamic role in Canada's development.

There have been some interesting developments recently in our trade with major trading areas. Exports to the Commonwealth increased last year by \$88 million. Nearly half of this increase represented greater sales to the United Kingdom alone. The items mainly responsible for this increase in export trade with the Commonwealth countries were wheat, barley and other cereals, salmon and uranium. Other products which made substantial gains in Commonwealth markets were flour, drugs and chemicals, and medicinal preparations. Now that import controls are being relaxed, there are good prospects for further increases in our exports to the Commonwealth.

Commonwealth exporters last year increased their share of the Canadian market from less than 13 per cent to close to 15 per cent at the present time. We expect this trend to continue. Greater interest is being shown by British investors in this country. British capital is moving into manufacturing, communications, construction and real estate projects. Our Trade Commissioners in Commonwealth countries and our Industrial Development officials here are making every effort to encourage greater participation by British business in Canada.

There have been some improvements in the structure of our trade with the United States. Exports last year amounted to \$2.9 billion, almost exactly the same as the 1957 record. Import statistics are not yet available for the entire year but it is clear from a study of 11-month totals that our trading deficit has been very substantially reduced. Our merchandise trade deficit with the United States for 11 months of 1958 was \$648 million, as compared to \$1 billion a year previously.

At present, the United States market absorbs close to 60 per cent of our total exports. Canadian firms sell a broad variety of goods there, in over 1,000 different categories. We are continually seeking to increase our exports to the United States, as well as to diversify that trade. In our negotiations with the American authorities, we are making it clear that this country is concerned about the large trading deficits we encounter each year. We are also concerned with regard to restrictions such as have been applied to lead and zinc and petroleum.

There is nothing new in the fact that differences of opinion arise from time to time between our two countries. Upper Canada, 150 years ago, had some matters for complaint. In the York Gazette of February 26th, 1808, there appeared the following editorial comment:

"We have flattered ourselves with the pleasing hope, that by the last mails, we would have received accounts of the adjustment of our differences with the United States. They are in train, but we have no information on the subject so particular as to enable us to speak positively of the progress".

In Europe, we have been encouraged by the recent announcements concerning convertibility and the progress which these traditional trading partners are making towards strengthening their economies and liberalizing their trade. Roughly 12 per cent of our total export trade goes to Europe and this is increasing each year. For the first 11 months of 1958, exports totalled \$528 million, a 9 per cent increase over the previous year. Wheat sales alone account for one-quarter of our total sales in this area. Substantially expanded sales were noted for copper, aluminum, nickel and aircraft.

Our exports to the non-Commonwealth countries in the Far East and South Asia for the first 11 months of 1958 were valued at \$129 million, as compared to \$183 million in 1957. Exports declined to all countries in the area with the exception of China, Indonesia and Burma.

In the Middle East, our trade is small - exports are worth roughly \$15 million annually but the trend of development is more favourable. The principal commodities are wheat, and flour, asbestos milled fibres, aluminum, agricultural machinery, pit-props, drugs and chemicals, oil stoves and washing machines. Our principal markets in this area are Turkey, Israel, Saudi Arabia, Iran, Iraq and Lebanon.

In Latin America, an area from which we customarily buy close to twice as much as we sell, serious exchange problems led to difficulties. During the first 11 months of 1958, our total sales were down to \$163 million, as compared with \$204 million a year previously. However, within the Latin American group as a whole, there were gains in our exports to Peru, Guatemala, Cuba, Ecuador, the Dominican Republic and Venezuela. Venezuela, incidentally, is becoming increasingly important as a market for Canadian products and has now emerged as our most important customer in Latin America. A characteristic of these markets is the increasingly keen price and credit competition we are being forced to meet from other suppliers.

The prospects for the future are not unpromising. We face increasing competition in international trade but as a great world trader, we have much experience on which to draw. Canadian businessmen are becoming increasingly active in this age of air travel and have trading interests in 129 countries. The Department of Trade and Commerce's Trade Commissioner Service abroad is staffed by exceptionally able men carefully selected and well-trained. They are constantly on the alert to give information on trading opportunities. The Government's policy is one of expansion of our trade throughout the world.

Canada has been active in the international forum of GATT and has been giving a lead within the Commonwealth. Our relations with our greatest trading partner, the United States are frank and cordial.

That is the framework on which our international trade is based. With foreign trade of such vital interest to all Canadians, it is important that management and labour, business and government, primary producers and manufacturing and transportation industries keep in mind at all times the importance of our trade abroad. The development of the resources of our country, the opening-up of our North, the advancement of our standard of living - all of these are affected directly or indirectly by the trade we do abroad.

Back of it all is the industry and character of our people. Canada is as much a land of promise as ever in its history. The future beckons to all men and women of faith and courage.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 59/11 THE CANADIAN - UNITED STATES ECONOMIC PARTNERSHIP

Remarks by Mr. John H. English, Deputy Minister of Trade and Commerce, to the Canadian - United States Business Conference, sponsored by the Canadian Chamber of Commerce and the Chamber of Commerce of the United States, at Ottawa, on February 18, 1959.

I am very happy to have the opportunity of taking part in this Business Conference which has been called to consider ways of strengthening the foundations of the Canadian-American partnership. Relations between our two countries are today being subjected to a more searching examination than they have undergone for many years. Canadians and Americans in various branches of business and in government have been meeting together to an unprecedented extent during the past year or so, in order to reach a better understanding of one another's problems and interests. The Chambers of Commerce in the two countries can justly claim to have helped to pioneer this kind of friendly interchange. Your Canada-United States Committee has been in existence for over a quarter of a century and your national bodies have sponsored conferences of this kind on a number of occasions in the past. These conferences are not expected to produce immediate and dramatic results. They do, however, pave the way for wise action by helping us to gain a clearer appreciation of the essential facts of our relationship.

Interdependence

The subject you have asked me to discuss this morning -- "Our joint economic and trading future" -- implicitly recognizes one of these facts. In the future as in the past the destinies of our two economies will be closely linked together. The interchange of goods and services, capital and know-how, between Canada and the United States is of basic importance to the prosperity of both countries and influences the pace and character of their economic growth. Millions of people on both sides of the border are dependent on the trade which flows across it. Hundreds of companies and thousands of private investors in Canada as well as in the United States have a stake in the success of enterprises on the other side of that celebrated demarcation line.

Similarity of Border Regions

This brings us to another of the enduring facts of Canadian-American relations -- the border. We are two nations and there are many reasons, both in past history and in the present, why we will remain so. At one time considerable importance was attached in Canada to the "north-south pull", as a factor tending to divide our country and tie the different regions closely to the neighbouring parts of the United States. In view of the heavy concentration of population along our common border, which stretches for close to 4,000 miles, it is natural that there should be a close affinity between the neighbouring regions on either side of it. However, most parts of Canada also have strong traditional ties of trade and sentiment with overseas countries, notably the Commonwealth and Europe. Moreover, it should not be forgotten that the neighbouring regions along the Canada-U.S. border frequently have similar climates and resources and are therefore competitors as well as customers of one another both in their own national markets and in the markets of the world. The forests in the Pacific Northwest, the cattle country in the foothills of the Rockies and the Prairies, wheatlands all straddle the international border. The fishing grounds of the Grand Banks and the Atlantic coastal waters provide a livelihood for many in the New England States, as well as the Atlantic Provinces. The principal manufacturing centres of Canada in Ontario and Quebec lie just across the St. Lawrence and the lower Great Lakes from the industrial heartland of the United States.

Changing Pattern of Trade

As you move away from the border, the differences of climate and resources increase, providing the basis for a great part of the trade between the two countries. Our abundant reserves of hydro-power, forest products and metallic ores extend down to the border at some points but they are mainly concentrated in the more northerly regions. Here originate some of our major exports to the United States, such as aluminum and most of our newsprint, non-ferrous metals and iron ore. Similarly, two of our principal imports from the United States -- cotton and citrus fruits -- are produced in the distant Southern States and California. There are, however, few commodities in our trade which fall into the same category as newsprint and cotton, where the one country supplies almost the whole requirements of the other. In most fields, the U.S. and Canada are both competitors and customers of one another. The balance between these two aspects of our relationship is continually changing as our economies grow and develop. This is in fact the source of many of the economic frictions and difficulties which arise between us.

At one time Canada was only a marginal supplier of non-ferrous metals to the United States. With the progressive exhaustion of high-grade reserves in the United States and the

discovery of excellent deposits in Canada, we have come to provide an ever increasing share of American requirements of these metals. Under these conditions, is it realistic to attempt to relegate us once more to the position of marginal suppliers when there is a temporary decline in demand? This, however, tends to be the effect of the restrictions imposed by the United States last fall on lead and zinc imports. We have also become a major exporter of petroleum to certain regions of the United States since the big oil discoveries in Alberta since 1948. Here, too, import restrictions have been instituted by the U.S. and the main burden of the recent decline in American consumption has been shifted to external suppliers. Trade barriers of this kind put back the clock and deny to both our countries the fruits of economic progress.

The manufacturing industry is another field in which economic growth and change have affected the relationship between our two countries. Before the first world war there were few branches of manufacturing in which we could compete successfully with U.S. producers. The stimulus of two world wars, the unprecedented growth of our population and the discovery of new energy sources have combined during the recent decades to make us a strong industrial nation. We are now selling a variety of manufactured goods in the United States. We would like to sell more, but frequently, high U.S. tariffs on manufactured goods prevent us from doing so. The United States has made much progress in reducing barriers to trade over the last two decades. We warmly welcome these developments. However, in the case of manufacturers many duties are still at prohibitive levels. Half a century ago it may have made good economic sense for Canada to export many of its raw materials to the United States and buy them back in the form of manufactured goods. This system is now out-dated, however, and it is not in the best interests of either of our countries to try to perpetuate it by artificial means.

Trade Deficit

Up to now I have been referring to the economic changes which have been working for the advantage of the Canadian exporter. A look at the figures of Canada-United States trade over the last two decades will show that the U.S. exporter has benefited as much or more from the growth and development of our two countries. (From the five-year period 1935-39 to the five-year period 1954-58, U.S. sales to Canada have increased 8.7 times, compared with an increase of 8.3 times in our exports to them.) The opening up of new resources in Canada and the expansion of our industries have resulted in a large demand for many types of capital equipment manufactured in the United States. The remarkably rapid growth of our population and rise in living standards have opened up great opportunities for American producers of certain consumer goods.

It is not necessary to tell this audience that Canadians have in recent years been buying from the United States a good deal more than they have been selling. In 1956 and 1957, our commodity trade deficit with the United States was running at over \$1 billion a year. Last year this deficit declined to \$750 million, a figure which still gives us much cause for concern. The reduced trading deficit last year resulted from a lower rate of Canadian imports from the United States, and not from a higher rate of exports. Thus it does not bring us much closer to a genuine and lasting solution of the problem. I am sure that Americans, like ourselves, would prefer to see their trade balanced at a higher level rather than a lower one. The existence of this trade deficit is a challenge to Canadian exporters, but their success in responding to it depends largely on obtaining freer access to the American market.

Colleagues and Competitors in World Trade

Canadians and Americans are competitors, not only in their domestic markets, but also in the markets of the world. As major trading nations, Canada and the United States frequently have similar interests and objectives. We would both like to see the European Common Market and the proposed Free Trade Area developed in an outward-looking rather than a restrictive way. We both have a big stake in the maintenance of the multilateral trading system and the progress of efforts to reduce trade barriers. We in Canada are particularly conscious of the crucial importance of U.S. leadership and initiative in this field. However, there are some matters on which as competitors in the world market, we do not always see eye to eye. In spite of the diversification of our trade in recent years, wheat still provides about 8 per cent of our total export earnings. It is not surprising therefore that we have taken exception to the use of the huge financial resources of the U.S. treasury to find markets for and to subsidize exports of American wheat and flour in markets where we are a traditional supplier. We are not financially strong enough to use the selling methods employed by the United States. Besides, we feel that exporting a large part of one's output on concessional terms for a considerable period of time is bound to undermine the market. Over the long run it is of little advantage to the U.S. to reduce its own wheat surplus, if the net effect is simply to add to ours. The ultimate success of U.S. surplus disposal policies therefore depends partly on the avoidance of any disruptive effects on the traditional markets of Canada and other producing nations.

U.S. Subsidiaries

There is another situation where Canadians feel the cards are sometimes stacked against them in their competition with U.S. producers for world markets. Some of our strongest

and more efficient export industries are partly or wholly owned by U.S. interests. Usually they are given a completely free hand in competing for export business, and it is not uncommon for them to be more successful than the parent company itself. In some cases, however, they are obliged to channel their export orders through the head office in the United States. It is discouraging to the Canadian export sales staff and to our Trade Commissioners overseas who have worked to win these orders to find that they have been diverted to plants in the United States.

This, of course, is all part of the problem of integrating U.S. subsidiaries more closely with the Canadian economy. My Minister recently suggested some ways in which this could be done, and I think it would be useful to repeat them in this forum.

They are:

1. Offering Canadians opportunities to buy equity stocks in the subsidiary companies operating in Canada.
2. Encouraging and training Canadian personnel to take an increasing part in the management and professional positions in subsidiary corporations.
3. Carrying out more research work and undertaking new development.
4. Promoting exports from Canadian plants.
5. Using as many Canadian materials and component parts in their Canadian operations as can be economically justified.
6. Doing more processing of Canadian materials before export, where this can be done on a competitive basis.
7. Giving local management greater autonomy in operating Canadian subsidiaries.
8. Encouraging branch plants to participate more fully in the life of their communities.

U.S. subsidiaries may feel that they do not have to work so hard in Canada as in some other countries to identify themselves with national aims and objectives. Actually they need to work harder. Because the executive of a U.S. subsidiary talks like us and largely thinks like us, we are surprised if he does not also share our pride in Canadian achievements and our belief in Canadian technical skill, managerial ability and workmanship. The U.S. subsidiary in Canada can play an important role in broadening and enriching the relationship between the two countries. The paradox, however, is that to do this, it must to some extent submerge its distinctively American character and become an integral part of the Canadian community.

It is not easy to reconcile the need to follow our some times divergent economic interests with the fact of Canadian-American interdependence. This requires some special qualities of mind, which are unfortunately not always present, and it is in this sphere particularly that there is room for improving the economic relations between our two countries. I would like to pay tribute to the valuable work the Chambers of Commerce are doing in helping to overcome ingrained attitudes and ideas which complicate the search for solutions to our economic problems.

Of course the best way of dealing with problems is to prevent them from arising in the first place. We can do this most effectively by facilitating a balanced expansion of the trade between our two countries and encouraging economic growth and development on both sides of the border. In this way our partnership will be strengthened, and we shall be able to take full advantage of the economic opportunities which the future offers. Our two economies are just emerging with surprising resilience from the sharpest set-back of the postwar period. In physical terms national output was maintained in Canada last year at the same level as in 1957, while in the United States it declined by only 3 per cent. We are now in the initial stages of what appears to be a broadly based upswing, although the improvement in business conditions may tend to be masked in the next month or two by normal seasonal influences. In both countries consumer spending is one of the brightest spots in the economic picture. This seems to suggest that among our two peoples there is no lack of confidence about the prospects for the period immediately ahead.

Looking into the more distant future, I believe we are on the threshold of a period of renewed economic growth. It appears that the rate of development may be somewhat greater in Canada than in the United States. In some respects we are still an under-developed country. We still have a frontier in the north and there is considerable scope for increasing and diversifying our manufacturing industries and expanding our service industries. Thus, if Canada and the United States work together there will be many possibilities in the future for expanding trade and broadening economic co-operation between us. However, the task of fostering this interchange is not alone the responsibility of government. It will require the imagination and concerted efforts of people in different walks of life on both sides of the border.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/12

CANADA AND CEYLON

A speech by Mr. J. G. Diefenbaker, the Prime Minister of Canada, to a joint meeting of the two Houses of Parliament of Ceylon, in the Grand Oriental Hotel, Colombo, on November 26, 1958.

To visit this island has been an experience that only those who have it for the first time can fully appreciate. As you spoke Mr. Prime Minister, and referred to those points of divergence between the story of the Garden of Eden and the plants particularly indigenous to this country, I thought for a moment of Shakespeare's words, that are so applicable to the beauty of this country: "This sceptred isle, ... this other Eden, demi-paradise". And that's the appeal that it has to me - kindness personified, friendliness exemplified - a spirit that is only in keeping with those qualities. Through the years I have been one of those who have believed in the strength of the relationship that is maintained by such tenuous bonds between the members of the Commonwealth, because after all, Mr. President, as I visited with you this morning, and with you Mr. Speaker, I felt at home. Your Senate may be different from ours, because if you are appointed to our Senate you stay for life, and there are those who seek a life interest in an institution such as that.in our country, the Senate is not elected, it is appointed. The House of Commons is the same as your House of Representatives. Your rules are our rules in the main; your courts our courts, and as the Prime Minister said so well, we have in common the heritage that is ours as people within the Commonwealth - the heritage of parliamentary government, the common dedication to similar principles, the realization that in co-operation there is strength, and in the maintenance of the rule of law whereby each of us through an independent judiciary is able to secure and maintain his freedom.

And, having said that, may I just for a few moments refer to the kind words of both the Prime Minister and the Leader of the Opposition with reference to Canada's stand on the Colombo Plan. Our attitude is one wherein we ask nothing;

wherein we request nothing; wherein we attach no type of strings, politically or economically or otherwise. We believe, however, that in the building of that world unity that is so necessary economically, each of us is indeed his brother's keeper, and it is in that spirit that in the past few years, Canada, a country with only 17 million people, has contributed 250 millions of dollars to the Colombo Plan. And in addition to that, we have in the last few weeks undertaken that in the next three years, we shall expend \$15 million more per year, or \$50 million a year, not for control of the mind or the body, not to bring about through insidious methods of any kind whatsoever, any control over those who co-operate with us under the Plan, but simply to implement in some small measure the responsibilities that fall on us. We, who are blessed by nature and also by our tremendous expansion, believe that in the world in which we live, each of us must do our part in order to raise standards everywhere in the world and give other nations the same opportunities for development as we have within our own. I underline this, because I hear on occasion that those of us who belong to this Plan have some ulterior purpose in mind. I do not know what it is. I have no conception of what is meant, but I am of those who believe in this responsibility.

One of my major purposes in visiting the Asian countries in the Commonwealth, is that I am here for the purpose of learning, of realizing something of your problem, of understanding something of your concepts, and at the same time thereby to do my part for the achievement of what I believe in implicitly - the mission of the Commonwealth in the world of today. A mission which is intensified by reason of the fact that we are able to show mankind that, different as we are in racial origin, in geographic position, in economic capacity, in colour - in all the other things that ordinarily separate people - we indeed are able to show mankind that these things are not divisive and by realization of each other's problems, constitute a unifying force.

When I say I was one who, at the Commonwealth Prime Minister's Conference in June of 1957, brought before the Conference the need for action to be taken to expand trade; not to expand trade only within the Commonwealth, but to expand trade within the Commonwealth and outside the Commonwealth. Believing in that, I brought before the President of the United States and others, the concept of the need to extend the Monetary Fund, and the resources of the International Bank, so that - liquidity being increased - trade would be possible. Out of that Commonwealth Trade and Economic Conference came two concepts. We began to realize that we had so much in common, that we have opportunities in trade that we have not yet in any way exercised, and that we have potentialities to assure something that is of importance to you in Ceylon. That is the maintenance, in respect of certain commodities, of at least a modicum of certainty in price. In other words, in

assuring that the producer in our various countries should not find himself from year to year with varying returns based on international requirements and on the laws of supply and demand. At the Conference, we achieved a good deal. The United Kingdom and Australia removed certain discriminatory practices in trade; we took our stand by freezing our tariffs as between the United Kingdom and other countries within the Commonwealth, and in addition to that, the foundations were laid for mutual assistance. In other words, the joining together of our resources - not to control, as I said a moment ago, but to assure an expansion of trade, and also to assure that each of us will to a greater extent than ever before, expand and develop that spirit which is inherent in the Colombo Plan.

I am going to summarize our attitude on the Colombo Plan in this way. The basic principles of Canadian policy in economic co-operation can be summed up in these words:

Canada answers in action rather than words; Canada tries to offer understanding rather than sympathy; Canada aims at the development of a systematic programme of co-operation rather than handouts dictated by expediency; Canada seeks to help without taking political advantage and without attaching strings to tie the hands of the nations involved. It's just as simple as that. What advantage is there to us, I ask anyone here? What are we going to gain from it, except the realization that within the Commonwealth, if it means something, there must be developed the spirit which indicates that each of us has a responsibility to the other.

Then I want to say one other word: Canada is a nation, south of which lies the United States of America, - 3,500 miles of undefended frontier on which any suggestion of war has been ruled out beyond any possibility. That is how far we go. We do not always agree. Some times we disagree, but we solve our disagreements in a spirit of negotiation and conciliation. In other words, when I hear it said that the United States of America is aggressive in its attitude, I say, after all, judge them on the basis of the position Canada occupies with reference to that nation. They are all-powerful economically, with the highest standard of living in the world; yet we have lived side by side for almost 100 years since Confederation in 1867. But at no time have we had the slightest reason to believe that the United States of America, in anything that it did toward us, had as its purpose, indirectly or directly, the annihilation of our rights or the acquisition of our territory. And when they speak of the United States going elsewhere, I cannot think of any country that would be more beneficial for the United States to acquire than our own, with the tremendous resources that we have in minerals, in oil and all those things that go

to the maintenance and the assurance of the modern industrial machine in any nation. And, I say that, because I have been asked this question: what do you think their attitude is? What purpose have they in mind? Well, I say if you want to see their purpose, come to us, and in the words of one who wrote of Sir Christopher Wren, "if you would see his monument look about you". In other words, we are not armed; we have no border fortification. Our other nearest neighbour is the U.S.S.R. We are in between them. Our fortifications are not to the south of us because we know that never, regardless of what conditions may transpire, never will arms be taken up as between us and our southern neighbours.

Those are just things I wished to bring to your attention in the few minutes at my disposal. I thank you, and thank you most sincerely, for the reception that has been given to my wife and myself. We will always recall yesterday. My wife had an orchid named after her - nothing could be more orchidacious than that, and as far as a welcome is concerned, everywhere I have gone there has been friendliness. Your Minister of Home Affairs, Mr. Jayasuriya - to him I want to express, and to you, Mr. Prime Minister, and to the Government of this country, the kind of feeling that cannot be translated into words. As I have gone about, the warmth of the feeling of your people for us - that indescribable spirit of fellowship that has been apparent - these are the memories which will be ours in the years ahead; the memory of a feeling that is not achieved outside of this Commonwealth relationship to the extent that it should be. The reason is simply this: we have something in common, we have that heritage, which the Prime Minister and the Leader of the Opposition have mentioned. We have the feeling of oneness. That is why I came here, because I believe that in particular it is among the Asian countries of the Commonwealth that in the years ahead, the Commonwealth will have its greatest responsibility. Here in this portion of the globe, I believe we shall together be able to achieve the unity, the realization of a common destiny in prosperity, that sense of a responsibility each to the other. It means that in the years ahead those who say the Commonwealth has outlived its usefulness are those of little faith, for in the years ahead we are building not without organization, not by statute, but in our hearts the feeling that makes each of us regard the other as indeed his brother. That is the spirit that has been transmitted to me here today. Mr. President, Mr. Speaker, the Leader of the Opposition, when I go back to Canada, I shall convey your message and the message of the Prime Minister, a message of goodwill which I have tried to reciprocate in these few uncertain words.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

59/13

A NEW CONCEPT OF THE COMMONWEALTH

A speech by Mr. J.G. Diefenbaker, Prime Minister of Canada, at a State Banquet at Kuala Lumpur, Malaya, on November 28, 1958.

No one in my position could be but deeply appreciative of the kind sentiments expressed by your Prime Minister in that very moving and eloquent address. As you came near the end of your remarks, you mentioned that in my country the snow would be falling. I think you are right, and I can tell you this, having regard to the hospitality extended to my wife and myself, the friendliness of the reception that has been accorded us, the outstanding nature of the democracy which you maintain here in Southeast Asia, we in Canada will be with you until the snow falls and the frost comes in Malaya....

The welcome that has been extended to us here is of such a nature that it will always be among our most treasured memories and my hope is, Mr. Prime Minister, that you will not long delay a visit to Canada. Whether you come when the snow is falling or when the temperature is even higher than it is here in Malaya at the present time, the welcome that you will receive will be a warm one from the people of Canada who have a high admiration for you and your achievements.

I was very much interested in your recital of the resources of our country. As a matter of fact from now on I think I will take you with me, because you have a better knowledge of them, displayed with such readiness of speech, than I have myself. But as I listened to you enunciating the principles upon which this Federation is built - a common dedication of the principle of freedom, a realization that under parliamentary government, democracy has its highest fruit in those freedoms to which you referred, and in the maintenance of the rule of law - those are the things in which, distant though we may be in time and in miles, we have that abiding oneness that is representative of the nations which make up this Commonwealth.

I have travelled in the last few weeks, visiting the various parts of the Commonwealth and in particular I have emphasized the importance and the significance of the Commonwealth

countries in Asia and of their contribution. I am among those who believe, and I repeat what I have said on earlier occasions, that here in Asia the Commonwealth has a vital appointment with destiny and I believe that to the degree to which we discharge our responsibilities here, the Commonwealth may expand and develop as never before, and our two countries have much in kind.

You mentioned the fact that we are composed of various races. It is only 115 years ago that a great British leader, Lord John Russell, stated that it would be impossible to maintain the British family of nations if at any time self-government were granted. Another great leader in the economic and political science field, John Stuart Mill, said it would be impossible to build a system of parliamentary government in any country unless that country was homogeneous and had only one language. Canada is the first of the confederations, Malaya the latest, but not the last in this family of nations. We have in common two particular facts: one is that each has its multiplicity, if I may use that expression, of races, different in religion; each has been able to bring together in a unity of common dedication, races, varying races, which in other parts of the world have not been able to achieve in the past that measure of peace which is our wish. In addition to this, we practise the same democracy. You speak the language that I understand. Only today you spoke that language of parliamentary democracy as I met with you. If there is one thing above all others in which we in Canada pay our tribute to you and your administration, and to the people of Malaya, it is in the fact that you have realized the danger of an authoritarianism that challenges in all parts of the world, and are maintaining the parliamentary system, freedom and all those things that flow from freedom and are here in Southeast Asia acting, as it were, as an experiment for other nations to see what can be achieved under our system of government and democracy. When you mentioned the Commonwealth as you did, I could but say that we talk again the same language.

Trade Relations

Only a few months ago in the city of Montreal, there was convened a Commonwealth Trade and Economic Conference. Two of your representatives, Sir Henry Lee and Mr. Tan Siew Sin, were present, and they have given you some conception of the things that took place there. I was among those at the Prime Ministers' Conference in July 1957 who brought before that Conference the need for something to be done to bring about the achievement of expansion in two directions within the Commonwealth - one in the field of trade and the other in the field of economic assistance and development.

As far as trade is concerned, changes have taken place as a result of that Conference. The United Kingdom has demobilized in considerable measure those things that made trade between us

difficult, if not impossible. Australia has done so, and if I may be allowed to say to you, Sir, we in Canada will deeply appreciate the announcement that you made this evening, that you too in this nation intend to take steps in that direction. In other words, let's expand trade, not exclusively within the Commonwealth, but let us expand within the Commonwealth. Let us realize this fact - that not only have we common traditions, not only have we a common dedication to the fundamental freedoms, but in addition there must be something more to bind us together. That something more is trade. At least it is one of the elements to which I intend to make reference.

The trade between Canada and your country makes it possible for us to purchase from you some \$27 million worth of goods a year. You in turn purchase from us some \$3 million worth. In so far as rubber is concerned, almost 80 per cent or even more than 80 per cent of the rubber that we purchase comes from your country. In addition to that, in so far as tin is concerned, the maximum amount of the tin which we purchase is purchased from Malaya and in order to assure the expansion of trade in that direction we have undertaken that we shall not purchase tin elsewhere than from the nations that joined together under the commodity agreement. That is the first step.

Colombo Plan

The second step is a step whereby each of us regards the other as his brother's keeper. One of the most important steps that has been taken among the nations who are dedicated to freedom has been the building up of that system that gradually expands year by year, and I refer to the Colombo Plan, whereby those of us who have been blessed in certain directions economically, find ourselves in a position where we may be of some benefit to other portions of the Commonwealth and also beyond the Commonwealth. Some years ago I was in New Zealand and Australia at a Parliamentary Conference attended by Dato Nik, as we call him, one of the delegates from Malaya. After that Conference, and having met with the representatives from Asia in particular, I returned to Canada and there advocated a large increase in the amount of Colombo Plan aid. I was in opposition then. Well I heard about that very frequently; every time I spoke of economies that should be indulged in, it was pointed out to me that when I came back I wanted to spend millions. Well, we came into power and the very first thing that we did, or one of the earliest things, was to give attention to the need of expanding and extending the amount of Colombo Plan expenditures on the part of our country. In the past few years, the amount expended has been some \$30 million a year. We raised it first to \$35 million a year; six weeks ago we announced that that amount had been increased to \$50 million a year, and for the next three years \$150 million will be devoted to Colombo Plan expenditures by the Dominion of Canada. That is a long step forward. It means this, that we believe that this Plan, enabling each of the nations to use the aid for the particular purpose of

improving conditions and making possible expansion within that country - we believe that in this manner we do our part for the building of that strength and that unity which must be characteristic of the Commonwealth as such.

I know that I have heard during the last few days as I have been in various parts of the Commonwealth, the question asked me, "What is behind this? What is it you will get in return?" "What purpose has this?" Let me tell you this. You mentioned our population of some 17 million, Mr. Prime Minister. In the past years we have devoted ourselves under this Plan to the expenditure of 250 million dollars. In addition to that, as I say, we have made further commitments for the next three years. As for trying to control in any way, to interfere in any way, to bring about any alteration in the ideas or the concepts and the objectives of the nations with whom we co-operate, we have no such intention. There is no reason for us even to consider the possibility. But we believe that this is something that we can do whereby we can join with you in our stand, that the first responsibility of each of us is to assure in every part of the world the raising of standards, the equalization of opportunity, and the assurance that men everywhere may have something of the better things of life. That is the purpose, that is the aim, that is the reason around which this whole scheme revolves. Freeing trade, removing those things that interfere with trade, expanding development, making possible that the nations, particularly within the Commonwealth, will be in effect representatives of what democracy can achieve wherein men, free men, exercising their God-given rights to freedom, may have an assurance that freedom can be achieved with security and that security can be maintained under freedom - that's our purpose, that's our aim.

One of the great resolves of the Commonwealth Trade and Economic Conference was this - a realization that we had a responsibility to each other. Secondly, there was a realization in the various parts of the Commonwealth that commodity prices fall away from time to time, to such a degree as to deny to the producer a fair and a reasonable return. We believe that those fluctuations deserve international consideration and out of that particular Conference came the resolve that commodity prices should be examined, commodity by commodity, in an endeavour to achieve an international commodity stabilization so that the economic welfare of those countries which produce in excess of their need will not be subject to intermittent fluctuations which deny a fair return to the producer.

We have the same position in Canada that you have. You have it in rubber, you have it in tin; other parts of the Commonwealth have it in other commodities. We have it in wheat. We have so much wheat in Canada we don't know what to do with it. As a matter of fact it piles up and while it piles up we find other parts of the world wherein the degree of sustenance

is below that which it should be. I belong to those who over the years have strongly adhered to the view that you cannot feed empty stomachs by the promise of parliamentary government. In other words, in addition to freedom you must also assure freedom from fear and freedom from want. Those things can only be achieved through the instrumentality of a co-operative enterprise such as I have mentioned.

In addition, out of this Commonwealth Conference came a decision to establish an Economic Advisory Council whereby each of us having representatives together will be able, by recommendation made by this Advisory Council, by researches undertaken, determine what course, recommend what course should be carried into effect. Then of course, Mr. Prime Minister, the decision as to whether it will or will not, must necessarily depend upon the political leaders of the various countries.

These are just a few ideas that I wanted to bring before you, something of the concept - a new concept - of the Commonwealth, a new Commonwealth wherein each of us is dedicated to the responsibility of realizing and discharging those things that will be beneficial to each and every one of us.

Sir, I came to see and to hear, I came here, Sir, particularly to have the privilege of listening to your wise and experienced counsel which has always been characterized by infinite courage. I came here for the purpose of listening to the views of those who know the viewpoint of Asia and in particular of Southeast Asia, so that on returning to my country I will be the better able to speak regarding those problems which each of us today, because of the shrinking nature of the world, finds it necessary to know, necessary to consider, and necessary to determine upon.

Mr. Prime Minister, there are no words to describe the feelings that I have for the warmth, the kindness, and the hospitality that has been extended to us. I don't know what it is but as I move around this Commonwealth somehow or another I feel that we have been able to achieve that which never before in history has been attained. It used to be said, it is sometimes said today that unless you belong to the same race or unless you have affinities in religion or unless you inhabit a given area where you have similar geographic or historical backgrounds, you have the beginnings there of strife. We in this Commonwealth have proven the contrary. Diverse in every way, we have been able to bring about that feeling of comradeship and brotherhood which I have felt everywhere I have been. We can see eye to eye; we have a common heritage; we have a common objective - the maintenance of peace in freedom. Let us march forward together in the future as we have in the past. We are the senior, you the latest in this family of Commonwealth nations. Thank you, Sir, for your message and everything that it has meant to me. May I now on behalf of the people of Canada extend to the people of the Federation of Malaya all good wishes for prosperity, happiness and above all peace with freedom.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/14

REPORT ON EXTERNAL RELATIONS

Statement in the House of Commons February 26, 1959,
by Mr. Sidney E. Smith, Secretary of State for
External Affairs.

I welcome this opportunity to ... place before the House the views of the Government with respect to several matters that concern Canada directly at this time.

Before I proceed to do so, however, I should like to express in a personal vein, indeed in an official vein, my gratitude for the hospitality that was extended to me in Brazil when I paid an official visit of two weeks' duration to that country last November, and also for the hospitality accorded to me in Mexico where I had the honour last December 1 to represent Canada at the installation of the new president, Lopez Mateos. From discussions with leaders in those two countries I learned much, and I saw at close hand the dynamic growth not only of these two countries but of Latin America as a whole. I returned to Canada convinced that through ease of communication, through trade and by virtue of common interests our relations with Latin America can and must grow.

Following the practice I have adopted in the past I will not engage in a global survey this afternoon but will attempt to explain, as I said a few moments ago, the Government's attitude on a number of specific issues.

Germany and Berlin

I was about to say, and perhaps I should say, that the most important and urgent of the problems facing Canada and her NATO allies lies in the field of East-West relations. I approach this subject gravely but not despondently. When I presented my estimates in July of last year, I believe, I spoke of the need to maintain our defences and at the same time to endeavour to make some advance in establishing mutual trust and confidence and in coming to some understanding with the Soviet Union. The Communist leaders, as we all know, have

professed their desire to promote the objectives of easing tension and of a reduction of the cold war. These professions, however, are certainly difficult to reconcile with the demands made by the Soviet Government on November 27, 1958 when it abruptly declared that existing agreements on Berlin were null and void.

Whatever the basic Russian objectives may have been, I am bound to observe that these tactics do not convey an image of a state bent on a lessening of international tension. On the contrary, the Soviet Union deliberately chose to create a crisis where none had recently existed, and thereby to plunge the whole world into a new period of deep anxiety that will not abate until there is some sort of meeting of minds in negotiation between East and West, and some agreement has been reached on the German question.

The Berlin situation was the critical issue before the NATO Council Meeting held in Paris last December. I, along with my colleagues the Ministers of Finance, Defence and Defence Production, had the honour to represent Canada at that meeting. Members will recall that before the formal meeting of the NATO Council began on December 16 there was a meeting on Sunday, December 14 at which were present representatives of the three occupying powers from the West, the United Kingdom, the United States and France. At that meeting, held, as I said a moment ago, prior to the meeting of the Council, there were also present representatives of West Germany. Willie Brandt, who honoured this country by a visit recently, also attended that meeting in his capacity as Mayor of West Berlin. Out of that meeting of the three occupying powers and West Germany came a statement in which they publicly rejected the Soviet proposals and reaffirmed their determination to maintain their position and rights in the city, including the right of free access to Berlin.

When this issue came before the NATO Council the Canadian Delegation took an active part - I say without immodesty that we did take an active part - in pressing for a full discussion of the Berlin situation in the Council with emphasis on maintaining an appropriate blend of firmness in the face of threats, and constant readiness to examine serious Soviet proposals. The position adopted by the Council two days later was entirely consonant with the Canadian position. The Council, in associating itself with the position taken by the four Western powers, adopted the view that the Berlin question could be satisfactorily settled only in the context of a consideration of the problem of Germany as a whole. The Council referred to the notes that had been sent by the Western powers to the U.S.S.R., in which they offered to negotiate on the situation with respect to Germany as a whole. That offer

was reaffirmed in the communiqué issued at the termination of the NATO Council meeting. Then, coupled with the consideration of the problem of Germany as a whole, they indicated their urgent willingness and desire to have discussions on the related issues of European security and disarmament.

In addition to supporting the position taken by the Western occupying powers, members of the Council - and I refer you to the communiqué I have mentioned - reiterated the stand of the occupying powers that NATO is a defensive organization. They also said, Mr. Speaker, that in respect of Berlin they desired to leave no doubt as to the determination of the Alliance to stand fast and to employ its defensive capacity in the event of aggression against Berlin or any interference with the arrangements that had been duly entered into between the occupying powers and the U.S.S.R. in a series of meetings culminating in 1949.

In giving this undertaking in respect of Berlin, neither the Council nor its individual members was assuming obligations that were new. Indeed, the NATO partners have been bound in respect of the defence of Berlin since October 22, 1954. This obligation was undertaken by the NATO Council on the occasion of West Germany joining the North Atlantic Treaty Organization, when all the other members of the Alliance formally associated themselves with the provisions declared earlier, in the month of October, 1954 that the three occupying powers would remain in Berlin so long as their responsibilities so required. The text of the obligation assumed by Canada, as a member of NATO, is, and I quote:

"to treat any attack against Berlin from any quarter as an attack upon their forces and themselves."

Members of the House, Mr. Speaker, may recall that on December 31 - that was after the termination of the meeting of the NATO Council - the United States, the United Kingdom and France sent replies to the Soviet note of November 27, 1958. In these replies, which had been discussed in the NATO Council, the three occupying powers reaffirmed their right to be in Berlin, and they condemned the Soviet Union's unilateral denunciation of the agreements relating to Berlin to which I referred. In these notes of December 31, 1958 the occupying powers stated that they could not accept the repudiation by the Soviet Union of these obligations in this way, and that they could not consider proposals which would jeopardize the freedom of the West Berlin population.

Speaking in geographical terms, Mr. Speaker, I may say that here is a community, West Berlin, of 2.5 million people, which is 110 miles east of the West German border. This little

island is isolated in the midst of Soviet-controlled territory, East Germany. I must say that Canada's view is, and I state this very firmly, that we will not countenance the swallowing up or absorption of 2.5 million of our friends in West Berlin into the Soviet complex which surrounds the City of Berlin.

In the notes of December 31 the United Kingdom, the United States and France also said they would not jeopardize in any way, by negotiation or otherwise, the West Berlin population. Then again in these notes there was a reiteration of the offer, which had been made over several years and which was restated and made manifest in the communique issued after the NATO meeting in December, to negotiate the question of Berlin in relation to the whole German situation as well as in relation to the problem of European security.

Subsequent events, Mr. Speaker, have tended to confirm the wisdom of the firm but flexible position that was taken in these notes and in the meetings of the NATO Council. On January 10 of this year the Soviet Union sent notes to all the powers on the Western side which had fought against Germany in the Second World War. I have reported to the House on that note, and indeed I have tabled it here, accompanied as it was by a draft peace treaty relating to the whole of Germany.

In that note it was suggested that there should be held a conference of the representatives of these countries - 28, I think there are - on the Western and Eastern side which had fought against Germany. The conference would discuss this draft peace treaty. In that note there was, in tone if not in content, the idea that the U.S.S.R. would be ready to consider the problem of Berlin in relation to Germany as a whole. Recent public statements - perhaps we can take some comfort from them - by U.S.S.R. leaders indicate that they do not regard the note of November 27, 1958 to the three occupying powers in Berlin as an ultimatum.

I tabled in this House on February 17 the Canadian reply to the Soviet note of January 10. Briefly, as I stated at the time, our position is this. It would not be useful to have a large peace treaty conference until some aspects of the German question have been examined by representatives of the four states, the United States, the United Kingdom, France and the U.S.S.R., those countries that have a special responsibility in Berlin. The Canadian reply did not, and I do not now, try to lay down a blueprint for the solution of the German problem. There will be general agreement, however - I hope there will be; I will put it that way - that this is not the time for Canada, or any other NATO country which has been a party to the preliminary discussion of this problem of Berlin in relation to Germany as a whole and also in relation to European security,

to put forward proposals in public. However, I assert and affirm that this is no time for anything other than positive policies. We should not, in the days and months ahead - and they may be critical ones - refuse to consider any proposal that is put forward by any country in the West, or any proposals that may be put forward by the Soviet Union.

Among the types of proposals which could be considered - and I am not going to give a long list; I am going to give a partial list - are those which envisage some form of mutual limitation on nuclear weapons, and by that I mean a mutual limitation under supervision. There also might be considered agreed arrangements for gradual and mutual armed force reductions and comprehensive security guarantees for the countries of both Eastern and Western Europe. This is not to say, of course, when I give this partial catalogue, that Canada has taken a firm position or a fixed position on any specific measure as yet. They could be considered as general objectives. I would hope that these and others would be considered at a ministerial meeting of some NATO powers or the occupying NATO powers to be held about the middle of March. I repeat, and I say it seriously, that we should not have a negative approach, but at the same time we should have clear objectives in respect of a settlement of these topics to which I have referred. Every proposal, however, must be considered in the light of certain aims and objectives which are basic to Western interests. Among these I mention again the freedom of the two and a half million people in Berlin. We cannot compromise their situation. We must look toward attaining, with safeguards, and with some advances in terms of European security, the restoration of a free Germany in a free and untrammelled Europe. No proposal, Mr. Speaker, should be accepted which would have the effect of changing the balance of military security to the disadvantage of the West.

At this part of my contribution to this debate I must say quite frankly that it is distressing that John Foster Dulles, the United States Secretary of State, should have been stricken by illness. All members of the House will join with me in wishing for him a speedy and complete recovery. I salute him as a man who has devoted his public career, in that high office of Secretary of State of the United States, to the pursuit of an honourable agreement between the East and West. I express my own admiration of his qualities of fortitude and courage. I can report to the House, Mr. Speaker, that his recent visit to London, Paris and Bonn, just before he was taken to hospital, helped materially in co-ordinating the Western views, in identifying basic Western interests to be protected, and in making clear the objectives to be pursued in any negotiations with the Soviet Union.

Having mentioned Mr. Dulles, it is not by way of formality but out of the depth of sincerity that I must say that we applaud the current visit of Mr. Macmillan, the Prime Minister of the United Kingdom, to the Soviet Union. It might appear that he has had something of a mixed reception, but for us his visit could be a most significant development, providing as it does a timely opportunity for Mr. Macmillan to make it clear to the Soviet leaders that the Western countries are genuinely interested in a search for common ground but that they do not intend to be intimidated by the belligerence which often characterizes statements coming from the U.S.S.R.

Prime Minister Macmillan has made it clear in the United Kingdom and to his NATO allies that he is not in Russia for the purpose of negotiating, but that he is there rather to exchange views and to work toward a better understanding on both sides of opposing points of view. I am sure all members of the House are confident of his ability to do that and perhaps more. He carries with him today our best wishes for the success of his visit.

That sense of well-wishing, for me anyway, has been intensified recently - indeed on February 24 - by reason of a speech made by Mr. Khrushchev to a political gathering in the Kremlin. I have studied the press reports of the speech, and that is all I have at the moment. I have studied them carefully and at least I can say this. I recognize in that speech the standard Soviet position on questions relating to Germany and Berlin. Although this speech may be discouraging - and I do not think I am running the risk of being Pollyanna-ish - I still want to see what will be the formal reply by the U.S.S.R. to the notes that were recently sent to Moscow. I am thinking of the series of notes which I identify by the date of our own note, namely February 17. I think the Western powers should be guided more by whatever the tenor of that formal response may be than by the remarks made by Mr. Khrushchev at a political gathering.

As the Western powers approach - and I say this very definitely - what could be a fateful new effort at negotiation with the Soviet Union, it is opportune to look at other fields of endeavour where we have been negotiating with the U.S.S.R. on important matters. I speak of two conferences. One of the conferences had to do with the cessation of nuclear tests; the other had to do with setting up some machinery or technique against surprise attack.

Nuclear Tests

For a moment let us look at the question of the cessation of nuclear tests. That is an objective for which the whole of mankind must pray. The Disarmament Commission,

and under it the Disarmament Sub-Committee, which was set up by the United Nations, really came to an end at the end of 1957. The Soviet leaders said they would not participate in any further discussions in the Disarmament Commission or in its Sub-Committee. So there came about direct negotiations between the United States, the United Kingdom, and the U.S.S.R. with respect to the cessation of nuclear tests.

Last July and August Canada participated in a meeting of experts held in Geneva to study this whole question of the identification and detection of nuclear tests. Canada had a strong team at that meeting. Indeed, it may be a sad commentary that the scientists could agree where the diplomats and the politicians could not agree. But the fact is that out of that conference of experts there came a unanimously adopted report on effective methods for the detection of nuclear testing.

Then on October 31, 1958 there was assembled in Geneva a group of men, at the non-technical level, to draft a treaty which would provide for the cessation of nuclear tests, and would also provide for the machinery whereby that treaty could be fully implemented. We were rather encouraged about a month ago that progress in that conference had been made to the extent that four articles of that treaty had been agreed upon and settled. However, we realized that many complex questions were still to be settled. The question with respect to the composition - that is, the nationality - of personnel in control stations, and the composition of personnel in mobile units had to be decided, and above all the methods of procedure which would be provided in the treaty for the organization - the control commission, or whatever it might be called - whereby they would conduct their business.

Sir, without going into any of the details I am bound to report that the old question of veto arose again in those discussions. The U.S.S.R. wanted, and want at the moment, to have a veto with respect to certain inspections that might be proposed in that country. Mr. Khrushchev in his recent statement of February 24 said they were not going to have spies and intelligence officers from the West discovering what is their military strength and potential. Well, Mr. Speaker, I am bound to observe this, that any machinery set up under a treaty for the cessation of nuclear tests which does not provide for inspection and control would be misleading and deceptive, and dangerous to the West.

Then I must observe, despite some foreshadowing of an adjournment of those talks which is to be found in the press only this morning, that we do hope and pray that that question of machinery for detection, and so forth, may be satisfactorily settled. As I said a moment ago, and I repeat, mankind everywhere, I am sure, must pray for at least one step to be taken

toward cessation of nuclear testing; and from that step let us pray that it will be continued into other parts of the galaxy of nuclear arms.

Surprise Attack

With respect to surprise attack the story is less comforting, indeed. Last summer Canada contributed to the panel from the West at a meeting in Geneva for the study by experts, as in the other case for the cessation of nuclear tests, of methods whereby surprise attacks might be identified or anticipated. This concerned a larger group: Canada, France, Italy, the United Kingdom and the United States on the Western side; from the Soviet bloc the U.S.S.R., Czechoslovakia, Poland, Roumania and Albania. They began their deliberations on November 10 of last year, and just before Christmas they adjourned, it might appear sine die but this was not so stated.

There was a conflict. The proposal really came out of an exchange of notes last winter with respect to the holding of a summit conference. In one of those notes Mr. Eisenhower, the President of the United States, proposed there should be such a conference with respect to surprise attacks; and to us it seemed abundantly clear that what the President of the United States of America was suggesting was the holding of a conference of experts. But when those representatives from the five countries of the West met with the Soviet side, they realized that what had appeared to us to be consent on the part of the U.S.S.R. to a discussion at the expert level turned out to be an intention to discuss political matters, such as bases and so on, and the minds of the two sides did not meet. We are now in consultation with other representatives of the West who participated in the conference of last November and December to the end that we might review the scope of the agenda and the possibility of a resumption of the conference.

Outer Space

There is another matter relating to negotiations and dealings with the U.S.S.R., and that has to do with outer space. The year 1958 was a most significant year in the exploration of outer space, in connection with the International Geophysical Year. I must pay tribute to the participation of Soviet scientists in the successes of that Year. That was not on the government level but was an association of scientists throughout the world. Just let us reflect for a moment. In the recent period, or in 1958 to centre on that year, there have been launched objects which have overcome, most astonishingly, gravitational forces; objects or vehicles which can circumnavigate the moon and which can circle the globe in a few minutes or so. And now a vehicle has been placed in orbit about the sun.

I must interpolate here that it is an awesome thought that vehicles can be launched and within a few moments go thousands of miles with an aim that is remarkably accurate. This in itself is a challenge to the statesmanship of the world. At the same time there is an equal challenge to statesmen throughout the world, and that is outer space. It seems presumptuous for us to be talking about outer space, but its use is coming within man's grasp. We should not translate to outer space the national rivalries to be found on this globe.

Last autumn the United Nations established a committee for the study of the control and use of outer space, and Canada was happy to be elected to that committee. The U.S.S.R. has refused to attend any meetings of that committee, of which it is also a member. They complain about the composition of the committee. They complain that they did not receive parity in the selection of the committee. That is most regrettable, and efforts are being made within the United Nations, under the umbrella of which this outer space committee has been established, to break this deadlock.

I have been talking about the European scene. I said in this House last August with some confidence that the tenseness of the Middle East situation had somewhat abated, and I stated that in that pause there was some ground for gratification. Since then from the Middle East the pendulum has swung to the Far East and now it has come back to Europe, which has been in a period of relative quiescence in recent years.

Austrian State Treaty

I have one item to report with respect to the European scene which will bring satisfaction. I announce that it is the intention of the Government to present a resolution to the House for approval, and I expect this resolution will be welcomed by all hon. members. The Government will request Parliament to adopt a resolution approving the accession of Canada to the Austrian State Treaty of 1955. This is the treaty which terminated a 10-year occupation of Austria, and it marked the re-emergence of Austria as a free and independent nation. The treaty was negotiated between Austria and the four occupying powers at that time, the United States, United Kingdom, France and the U.S.S.R. Under the treaty of 1955 provision was made for the accession of any country which had fought against Nazi Germany. Accession by Canada, I can assure the House, will not increase our rights, neither will it increase the responsibility which we have undertaken under the Charter of the United Nations. Canada's accession, when it takes place, will be at the request of the Austrian Government, and it is an action which we take willingly as a mark of friendship and sympathy for a country whose achievements we admire. In particular we take this

action as a gesture of gratitude to Austria for the humane welcome given to Hungarian refugees during the tragic events in Hungary in 1956. We are indeed pleased to learn that a sister nation of the Commonwealth, New Zealand, is also planning to exercise the right to accede to the treaty.

Middle East Situation

Turning now from the European scene, it is perhaps appropriate that I should deal briefly with an area to which I referred a few moments ago, namely the Middle East. When I reported at length on my return from the Special Emergency Session of the United Nations at which the Middle East situation was considered, I told this House of a resolution passed by the General Assembly under which the Secretary-General was given power to see what he could do in the name of United Nations to meet the difficulties which existed at that time. Developments since then warrant my saying that we can look upon the situation at the moment with cautious satisfaction, and a great deal of credit for this is due to the Secretary-General, Mr. Hammarskjöld, who carried out so very successfully the task of undertaking the "practical arrangements", to use the words contained in the resolution.

It has been possible, under that resolution and through the activities of the Secretary-General, for the United Kingdom and the United States to withdraw their troops from Jordan and Lebanon respectively. That was done by November with the consent of all the powers concerned. The improved situation in Lebanon has enabled the Secretary-General to return to their national homes the units which made up UNOGIL.

On the other hand, on the Arab-Israeli front, there have been most regrettable incidents which indicate a certain amount of unrest between those two countries, and I am thinking not of the UNEF front but more particularly of the boundary between the Syrian region of the United Arab Republic and Israel. Nevertheless I think we can be reasonably confident that if Canada and other countries give continued support to the United Nations activities, and if there is shown a continued willingness on the part of all concerned to resort to United Nations machinery, no general deterioration should ensue.

The moderately encouraging developments to which I have referred have given us an opportunity to take stock and do some careful thinking about what should be our future attitude to events in the region as a whole. I am thinking of Canada in this context. We must, of course, realize that the relationship of the Middle East countries to one another and to the outside world is undergoing a very rapid transformation. The trends of thinking which we loosely describe as nationalism and neutralism are spreading widely and rapidly. In these countries these trends are there to stay.

No country could resist an evolving nationalism any more than Canada could. We must recognize these forces which animate the leaders of the present in that particular area. These powerful tendencies may not always manifest themselves in a way that we would welcome, but we must accept the fact that they will continue to animate the new leaders who have arisen, and will therefore inevitably dominate the Middle East scene for some time to come. We cannot, of course, oppose this evolutionary process of change but there is an international responsibility to see that if change comes, it comes peacefully, with the consent of those concerned and without menace to the security of others.

Yet if we are justified, as I am sure we are, in our efforts to ensure that change is peaceful, we must recognize for our part that one of the chief causes of instability in the area as a whole has been a profound lack of confidence of each country in its neighbours, and a mutual lack of confidence between the countries of the area and those lying outside of it. Western countries may be able to help in establishing a basis on which that confidence can grow, though this will require restraint, patience, impartiality and a willingness to approach the countries of the area on a footing of equality and respect. It may be that, as in other areas, the United Nations can offer the best medium through which adjustment to the new order of relationships can take place; for this adjustment must be accomplished without sacrifice of principle and without too close involvement in the regional tensions which political, economic and social forces still at work in the area are bound to engender.

Canada's own policy continues, as in the past, to be one of firm support of United Nations institutions in the area. We were, for example, one of the main contributors to UNOGIL - that is, the United Nations Observation Group in Lebanon - and Canadian officers continue to serve with the United Nations Truce Supervision Organization in Palestine. Support for Palestine relief and rehabilitation is also to be maintained this year, subject to Parliamentary approval, at our annual rate of \$500,000. Finally, we can derive great satisfaction from the contribution that Canada continues to make to the United Nations Emergency Force in the form of a large Canadian contingent. It is, I think, a remarkable tribute to the success of this unique United Nations peace-keeping activity that the Secretary-General was able to refer in his 1958 report on UNEF's activities to the "virtually unbroken quiet" which had prevailed "along the entire line between Egypt and Israel" during the period covered by the report.

Mention of the Secretary-General prompts me to pay once again the highest tribute to the selfless and tireless personal contribution that Dag Hammarskjöld has made to the cause of peace throughout the world, and nowhere more successfully than in the Middle East.

This brings me, Mr. Speaker, to some brief comments on the last regular session of the United Nations General Assembly, at which I had the honour to head the Canadian Delegation. As there are many important matters to be considered during today's debate, I shall confine myself to one or two items and impressions of special concern to Canada.

UN Stand-by Peace Force

Having just referred to UNEF, it is appropriate that I report at this point on the related question of a United Nations stand-by force. Hon. members may be aware that at the 13th Session of the General Assembly the Secretary-General presented a summary study of the operation of UNEF, out of which he drew a number of observations and principles for consideration as a guide to future United Nations action in preserving peace through its own instrumentalities. The Secretary-General's conclusions reflected the tenor of the discussions concerning a United Nations peace force at both the Special Emergency Session of the Assembly in August, 1958 and at the 13th regular session in September, 1958.

In these discussions attention shifted from the possibility previously considered of establishing a permanent stand-by force as such, or earmarking national units for service with such a force; rather it was directed toward, first, the desirability of developing arrangements and planning procedures which would enable the United Nations to meet swiftly a wide variety of possible situations and, second, the need for agreement on a set of basic principles to govern the operation of whatever United Nations instrumentality might be created. In supporting this approach, the need for flexibility in the planning of stand-by arrangements was particularly emphasized by the Canadian Delegation at both sessions.

In the course of the meetings of the External Affairs Committee last summer, I had occasion to review the history of attempts to establish an effective United Nations stand-by peace force. Opposition has been based on many grounds and the problems and difficulties have been legion. They relate primarily to the concern with which a number of countries regard the implications of such a force for their national sovereignty. Others have been reluctant to contemplate the financial burden which the support of a permanent force would entail. Still others have been dubious of the feasibility of creating a permanent force capable of meeting the various and unpredictable situations that could possibly arise. These are legitimate apprehensions and practical problems which may prove difficult to dispel and resolve completely.

It is my impression that although there was apparent a new note of concern in the approach of a large number of nations toward the concept of an armed stand-by peace force, awareness continues to grow amongst the United Nations membership, despite the opposition of the Soviet bloc, of the overriding need for machinery of some sort to permit quick and effective United Nations action to prevent the development of conditions which could result in armed conflict and the needless sacrifice of human lives. As I said, there seems to be developing in the General Assembly a growing general awareness that the United Nations must be provided with instrumentalities for quick and collective action that would prevent the outbreak or the extension of hostilities.

Just think of the great variety of agencies for the preservation of peace that the United Nations has had under its supervision, ranging from armed units, with respect to which I have spoken proudly as far as Canada is concerned, right down through observer groups to the mere token presence of the United Nations evidenced by only one person. It does seem to me that in this age, when we are likely to have indirect aggression, that the United Nations may be called upon to a greater degree to make provision for procedures of investigation. The Secretary-General is continuing his study and I can assure the House that Canada will be interested in his study and his further recommendations when we have some clear idea of what they may be.

I know that the Thirteenth Session of the General Assembly has been dubbed an unspectacular one but in that regard I make the observation that dramatic quality is not a criterion of success. It is also not the sole test of the success of a session of the General Assembly to ask the question, how many final agreements were reached on any particular set of subjects at a particular time? I was not able to attend the session of the General Assembly for longer than seven weeks but I did sense a spirit of compromise, a seeking for solutions, a climate of reconciliation of conflicting interests. True, as I have already stated, no final agreement was reached with respect to disarmament. No final agreement was reached with respect to Cyprus but this is an example of what I had in mind when I said that dramatic quality is not the criterion of success.

Undoubtedly the reasonable discussions that took place in the Thirteenth Session of the Assembly provided a climate - to use the word I invoked a moment ago - of compromise, that outside of the United Nations came to fruition. I am sure we all join in congratulating the statesmen of the United Kingdom, Turkey and Greece on the solution of that problem which was of special concern to the NATO allies.

I have sent, as I know the Prime Minister (Mr. Diefenbaker) has, congratulatory messages to the prime ministers and foreign ministers of these three countries, and it is our wish and our hope that the spirit of reconciliation will continue in that island which has been so unhappy.

Aid to Underdeveloped Countries

Perhaps the most significant discussions at the Thirteenth Session of the Assembly had to do with matters in the economic and social fields. There was manifested to an encouraging degree a willingness on the part of the industrially developed countries to assist in the development of the economic and social potential of their less-developed fellow members. I think it is opportune for me to mention at this stage what Canada is seeking to do in the way of helping underdeveloped countries, particularly our partners in the Commonwealth, to solve their problems of economic development.

The problem, of course, can be stated in very simple terms. It is astonishing, it is distressing to realize that close to three-quarters of the human race live in conditions where poverty, hunger, disease and illiteracy are endemic. Many of these countries have emerged recently from colonial status. They now have their political independence and they are seeking, quite properly, not selfishly but in terms of the development of their own countries, to bring the standards of living of their people closer to those of the industrially and technologically advanced countries. Translated into economic terms this means that these underdeveloped countries must invest enough of their resources year by year to reach the point where economic growth can begin to sustain itself. It can be done in either of two ways. It can be done by their relying on their own savings, but when they are beset by impoverishment, illiteracy, disease and hunger how can they do that? They might do it under some leader who would adopt totalitarian processes and would seek to take whatever savings they had. We would not be happy about that type of government growing up in these new nations. The alternative is for the West to help invest in this great human endeavour. Otherwise these underdeveloped countries which have recently gained their independence may be prone to accept blandishments and offers from other parts of the world. Surely Canada is justified in making contributions to assist these countries. Indeed, to do otherwise would make it difficult for us to reconcile our actions with the principles for which we in the free world stand. I also suggest that it would be difficult to reconcile with the concept of the partnership of the British Commonwealth as a community of free and independent nations.

I am glad to say over the past year the Government has endeavoured to play an increasing part in helping under-developed countries. We have undertaken, subject to the approval of Parliament, to increase our contribution to the Colombo Plan from \$35 million to \$50 million a year for a period of three years beginning with the next fiscal year. We have also recognized the needs of emergent nations and territories in the Commonwealth which are not eligible for assistance under the Colombo Plan. I am thinking particularly of the African area. We are proposing to extend the benefits of our technical assistance programme to Commonwealth areas in that region.

We have embarked on a five-year programme of aid to the West Indies. This does not come under the Colombo Plan programme. A major part of our contribution of \$10 million will be used in the building of two steamships in Canada for inter-island service. These ships should represent to the West Indies what the building of the railroad meant to Canada in helping our nation to become more united.

I recall to the House that on July 25 last year the Prime Minister advocated that there should be an increase in the capital of the International Bank and the International Monetary Fund. That has come about and proposals will be placed before Parliament respecting Canada's subscriptions to these institutions which are allied with the United Nations for the purpose of helping underdeveloped countries.

There was established last year by the United Nations General Assembly a special fund to which Canada has promised to contribute \$2 million, subject to the approval of Parliament. The objective of the special fund will be to provide for surveys of natural resources, manpower, skills and industrial potentials, to the end that there can be established in many countries of the world a sound basis for economic growth.

There is one factor that I mention, not in a selfish mood, but when Canada makes a contribution of this kind, in a large measure the contribution in money is translated into Canadian goods and services which these countries need, for which they have asked. There is in this way a mutuality of interest, because our friends can be helped and our own economy sustained.

Relations With Communist China

I have been discussing the Colombo Plan, Mr. Speaker, which forms one of the particularly productive bridges of friendship between Canada and our friends in South and South-East Asia. It is a trend of thought which inevitably brings me to the less happy and less satisfactory relationships which

exist between Canada and the millions of Asians living on the Chinese mainland. In view of the lively interest that is shown by the Canadian people in the future of our relations with the Chinese people, I feel sure that the House will expect me on this occasion to discuss in some detail the Government's attitude toward the recognition of the government of the Chinese People's Republic. As this House knows this Government, as did the government which we succeeded, has been giving continued consideration to the advisability or otherwise of extending recognition to the Chinese Communist Government. We are aware of the arguments in favour of such a step. It seems to me, however, that in discussing this question we must make a clear distinction between the legal factors which apply whenever Canada extends recognition to any new government, and the national and international considerations.

Let me deal with the legal aspects of the question first. It is true that recognition is usually extended to a government when that government exercises effective control over the territory of the country concerned, and when that government has a reasonable prospect of stability. Then, there is a second legal factor. The government of that country should indicate its willingness to assume international obligations inherited from its predecessor. So far as China is concerned, there is some doubt about the Peking Government's willingness to assume the obligations and responsibilities of its predecessor. The Peking Government made known, in September, 1949, that it would, in effect, regard as binding only those obligations which it considered to be in its own interest. There is little doubt, however, that the Peking Government commands the obedience of the bulk of the population. It must be admitted, therefore, that most of the legal requirements for recognition have been fulfilled by the government of the People's Republic. In any event, I say this: the Peking Government has fulfilled its obligation to at least the same extent as some governments which we do recognize now, and about whose political systems we have the same kind of reservations.

I have just mentioned the legal factors, the legal conditions for recognition. This does not mean however, that any government which has fulfilled these legal requirements is automatically entitled to recognition. This is a decision that should only be taken on the basis of national and international interests. It is to such considerations that I now address myself. It is stated that if Canada recognized China, greater opportunities for trading with the Chinese mainland would be created. There would almost inevitably follow an era of renewed friendly relations with that country. By this argument diplomatic recognition is made the key to trading relations with China. I must say, however, that I know of nothing to suggest that recognition would bring increased trade.

In so far as some Western countries that have recognized China are concerned, no benefits in the matter of trading have accrued from that act. On the other hand, others, without recognizing Communist China, have seen their trade grow substantially. It is true that on occasion Peking has used the question of trade as a special weapon. I would draw to the attention of the House the fact that the Peking Government has used trade as a political weapon. I am thinking of the action in 1958 when that government cut off trade with Japan and later with Malaya and Singapore because the governments of those states acted in a certain way, within their own jurisdiction and within their own prerogatives as sovereign governments, but which the Communists considered unsatisfactory. I do not regard trade, in that context, as being an argument in favour of recognition. Indeed there are dangers inherent in trading with Communist China.

There are, however, other arguments in favour of recognition. It is undeniable that, unless the government which has effective control of the mainland of China is represented at international meetings, there will be less possibility of settling issues that create tensions and endanger the peace of the world today. This is in no way to say, however, that we cannot deal at all with Communist China. The West has done so at Geneva when discussions took place on topics relating to Korea and Indochina. The United States is doing that very thing now in the ambassadorial talks in Warsaw. It does not follow, either, that if we and other friendly governments were to recognize Communist China all the problems which beset us in the Far East would immediately be solved. This is to say that non-recognition of Communist China is a symptom and not a cause of the tensions which endanger peace in the Far East.

What really is required, fundamentally, is a desire on the part of the Chinese to settle the outstanding problems. I mean to say that the pronouncements of the Peking Government on international affairs in the past year which is under review give few grounds for believing that they are actually interested in removing those causes of discord separating them from the west.

It remains true, however that the present exclusion of China - and I come back to this point - from the United Nations and other councils of the world, except in isolated instances, makes international diplomacy more difficult to carry on. Disarmament is a case which I have in mind. What would be the use of an agreement or a treaty with respect to the cessation of nuclear tests - and I give this just by way of an example - if mainland China was not somehow involved in the working out and implementation of such a treaty? I must observe also, Mr. Speaker, that the authority and prestige of the United Nations has been weakened to some extent because many important international negotiations, such as those on Korea and Indochina, have not taken place within that organization.

I trust - and I say this very carefully - that I am not being unfair if I say that some of the arguments in favour of immediate recognition of Communist China seem to me to overlook, to a certain extent, the complex nature of the problem. The problem of relations with Communist China is an extraordinarily delicate one, for however much we may wish to develop an acceptable basis for relations with this increasingly important Asian state, it is by no means clear that recognition would accomplish this end. Indeed, we could contemplate that it would give rise to fresh problems.

The attitude that I commend to the House is one of prudence based on an appreciation of the realities of the situation. This Government has taken a positive attitude with respect to trade. My colleague the Minister of Trade and Commerce (Mr. Churchill) this afternoon in the House mentioned one aspect of that trade. I remind the House that in 1957 - and these figures have been presented already this session to the House - our exports to China amounted to \$1½ million. In the first eleven months of 1958 this figure rose to \$7.7 million. In the difficult question of exports by Canadian subsidiaries of United States firms, as a result of the Prime Minister's discussions with President Eisenhower in July of last year we have an understanding with the Government of the United States which aims to protect the interests of Canadian producers and provides greater scope for trade. Despite the considerations to which I referred we hope to increase our trade with China in the coming years.

Many Canadians visited China last year and that fact is responsible for increased interest in this topic. We are not unhappy that they have gone there. The reports of their impressions published in the Canadian press have been a source of information to the Canadian public. We hope that more personal contacts can be built up on the basis of these individual visits. In this way, by developing friendly relations in limited sectors, we may break down some of the political distrust which unavoidably exists between Canada - and indeed, the whole Western world - and the Peking Government.

On the specific issue of the establishment of diplomatic relations as opposed to relations confined to cultural and trade matters and the like, I realize that there are weighty considerations on both sides. As I have mentioned already, there is an opinion that friendly relations will flow from recognition. We believe that we should proceed prudently while we discover to what extent relations with Communist China can be improved. We do not see much point in extending recognition to Communist China if the result of such an act will be to put us in a position similar to that of other countries which have recognized China and then have been berated and extravagantly

attacked because they have not always backed Communist China pursuant to what the Peking Government feels was an obligation arising out of recognition.

I ask three questions, Mr. Speaker. The first one is this. Should we recognize mainland China until we have reason to believe that our act will not result in deterioration of relations other than the opposite? My second question is this. Should we recognize mainland China if our act will give rise to misinterpretation of our attitude in the countries of Asia; that is, if those countries were to say that since Canada and other Western powers have recognized Communist China, there is no point in their resisting the growing influence of the Peking Government not only in international affairs but in domestic affairs as well. My third question is this. Should we not also bear in mind the effect of recognition by Canada and by other countries on Peking's position among the overseas Chinese in South-East Asia? They might take out of that act of recognition the view that they would be free to undermine the national interest of those countries by being willing then to transfer their loyalties wholly to the Peking regime.

These are questions which we are weighing extremely carefully. It is, moreover, a matter of some concern that in the past year Communist China has given us little warrant to believe that it has much conception of its responsibility for the maintenance of world peace. As a result of Mr. Dulles' visit to Taiwan in October last, a joint communique was issued by Chiang Kai-Shek and Mr. Dulles to the effect that the Nationalist Government would not resort to force as the means of returning to the mainland. It is disturbing to find, however, that no similar renunciation of force has been made by the Government of Communist China in respect of their intentions towards Formosa and the offshore islands. I am not discussing at this moment the place of the offshore islands but I am merely saying that there is on the part of the Peking Government no manifestation of intention corresponding to that which was given by the Nationalist Government. That is their right. The mere fact that they have not done that is not necessarily an indication that we should not recognize China. But we are equally free to judge that in such circumstances recognition might be of little value and advance none of our interests.

It is for these reasons that it is the view of this Government that we must go carefully. We should take the initiative in limited fields - in fields of trade and in other ways to which I have referred - and we should take every opportunity that presents itself to overcome the causes of discord between the West and Peking China. We must be patient. We should not be hasty. Otherwise we may undo the good work that has already been accomplished in laying the basis for progress towards the goal of removing the occasions for misunderstanding now existing between Canada and Communist China.

Whether this process will be followed by recognition is to be seen; but I say this emphatically, that it will depend upon the success that we have in improving our relations in limited fields, and our assessment of the advantage to be gained by such an act. We have never stated that we will never recognize the Peking Government. In the Prime Minister's words:

"The question of the recognition of Red China is one that has been receiving consideration for the last several years and the question is continually and continuously before members of the Government."

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In conclusion, to return to the Berlin and German situations, I would hope that we may develop and extend the areas of understanding in East-West relations through the same technique of improvement, in limited fields. I am bound to say that there is little, if any, agreement on surprise attack. There have been protracted discussions on the cessation of nuclear tests. There has been a road block in the way of reaching agreement on machinery for the use of outer space. There is not much comfort to be gained from the difficult starting point from which discussions on Berlin and Germany may begin. But, Mr. Speaker, I do think that there is some evidence that the international climate may be improving. The U.S.S.R. wants to discuss with us many problems. Certainly it should be evident to all sane men that there is a great interest in avoiding the mutual destruction of mankind in a nuclear conflict. May the desire for discussions on the part of Mr. Khrushchev and his comrades be a genuine readiness to negotiate in this particular instance of Berlin and Germany, rather than an attempt to impose their will on the three occupying powers and the two and a half million people in West Berlin to whose security we have pledged ourselves.

I conclude by saying that we wish and hope, as I am sure does every member of this House, that a meeting or meetings between the West and the Soviet bloc will provide a greater mutual trust and confidence, even if that desideratum be reached only gradually.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/15 CANADA'S INTERNATIONAL ECONOMIC RELATIONS

An address by Mr. Sidney E. Smith, Secretary of State for External Affairs, to the 208th Annual Meeting of the Halifax Board of Trade, Halifax, Nova Scotia, March, 16, 1959.

It is a great pleasure to me to be with you today on the occasion of your 208th Annual Dinner. Nova Scotia is of course, as I may tell you in confidence, the greatest province in Canada for me! It is difficult to imagine a place where I could feel more at ease and more at home than in what was, for many happy years, my Halifax. Set in my native Nova Scotia, Bliss Carman's lines throw on memory's screen many cherished images for all of us:

"From the sea-light of Yarmouth to
the headlands of Bras d'Or,
From the swinging tides of Fundy to
the wild Southern Shore,
The Gaspereau Valley, the dikes of
Grand Pre,
Farms and mines and fishing fleets,
river, lake and bay,
Lunenburg and Halifax and lovely
Margaree,
Is all the Land of Acadie, the Sweet-
heart of the Sea."

The Halifax Board of Trade -- the first such body to be founded in North America -- has been throughout its long history an institution that has always played a vital role in the life and business of this great city and its important harbour, Canada's Atlantic gateway to the world.

A city whose life and prosperity are so largely dependent upon the steady and expanding flow of trade can never be indifferent to conditions and developments in other parts of the world. Halifax, like Canada, "looks out".

Your traditional dependence on foreign markets and foreign trade has made you particularly sensitive, throughout all your long history, to changes of policy and economic conditions in your overseas trading partners. I need hardly elaborate this point before a Maritime audience. Many illustrations will occur to you: the effects of the abrogation in 1866 of the Reciprocity Treaty with the United States, and the consequent growth of impediments to exports to the United States of products not the least of which has been fish; the sad decline of salt fish exports to The West Indies which followed upon the blow dealt to the cane sugar industry of that region by competition from sugar beet; and the Maritime apple industry, which was a wartime casualty but which, with the many active steps now being taken to encourage trade between Canada and the United Kingdom, may yet come back. All these could spring to your minds as examples of your high degree of vulnerability to changes in the world climate -- economic and political.

What is true of the Maritimes in this respect is scarcely less true of Canada as a whole, where per capita foreign trade is no less than 3.5 times as great as that of the United States. When one considers that one out of every five Canadians is dependent on export trade for his livelihood, the crucial importance of our external trade becomes starkly apparent. It is of these external economic relations that I intend mainly to speak tonight and, in particular, about the role of Government in the fostering of harmonious international trade relations. Notwithstanding the fact that Canada has a free enterprise economy and indulges in the minimum of state trading, governmental responsibilities have grown tremendously during the past few decades -- grown, in fact, in direct ratio to the ever-expanding network of international economic and trade regulatory machinery. The governmental role has grown, too, as a consequence of its exclusive responsibility for international aid programmes -- of which I will say more later in my address.

But to deal first with trade -- the general objective, of course, of the Government's economic policies is to facilitate and foster trade both by seeking to overcome obstacles which may arise from time to time, and also by striving to create an international atmosphere which will help to expand trade on a world-wide basis. In the pursuit of this objective, it is of prime and increasing importance today to have an intimate knowledge of the policies and intentions of governments, since international trade is more and more being conducted, or markedly influenced by governments. We also find ourselves participating in regular and close exchanges with our principal trading partners. We find economic matters arising more and more in many of the United Nations activities in which we are participating. Indeed, the means and methods of international economic co-operation have been multiplied out of all recognition over the past twenty years, and this is not just a sort of international

Parkinson's Law in operation (although that seems to be a phenomenon present in some degree wherever governments are involved!), but rather a response to the urgent need to bring about a more rational distribution of the world's economic resources to meet the demands of steeply rising populations seeking ever higher standards of living. It is upon a wise use of the international economic machinery that has developed, that much of our hope of achieving a saner and more prosperous world will depend.

Let us glance briefly at some of the more important international arrangements to which Canada is a party. On the widest plane we have the General Agreement on Tariffs and Trade--better known as the GATT -- which commits its signatories to the most liberal (with a small "l") of trading policies -- that is, to expanding trade and economic development on a worldwide scale by means of the lowering of tariffs and the removal of restrictive barriers. The significance of GATT lies in the fact that its 37 member states between them conduct some 80 per cent of the world's trade, and the reductions and bindings of tariff levels regulated under the Agreement affect some 50 per cent of the trade of the signatories. The Agreement has provided the apparatus by which four rounds of general tariff negotiations have taken place at which substantial reductions and bindings have been effected. This is a most significant contribution to the freeing of world trade.

Of a global nature, there is the wide range of machinery and institutions set up under United Nations auspices for the harmonization of international standards and for the expansion of co-operation at the technical level. They include the Food and Agricultural Organization, the World Meteorological Organization, the International Civil Aviation Organization, (with its headquarters in Montreal), the World Bank and International Monetary Fund, to mention only a few. Canada is an active participant in them all. We have also supported efforts both within and outside the United Nations framework to devise solutions to problems of commodity trade. Thus Canada is a member of all the existing international commodity agreements on wheat, sugar and tin, and participates in the work of a number of study groups in other commodities. The value of this commodity by commodity approach, which attempts to consider and to ameliorate the conditions of trade in terms of the problems peculiar to each commodity, was reiterated at the Commonwealth Economic Conference as a means of mitigating the abrupt and short-term fluctuations in world commodity prices.

That Conference, which, as you know, took place last September in Montreal, was itself a most successful example of what can be achieved when a group of like-minded nations come together to expand their trade by all practicable means. Although the immediate objective was the expansion of Commonwealth trade, the participants declared their firm belief that Commonwealth countries should co-operate

in no exclusive spirit, keeping before them at all times the goal of a multilateral trade and payments system over the widest possible area. It was a source of profound satisfaction to the Canadian Government and to Canadian businessmen that as a direct consequence of that Conference a number of quantitative import restrictions were removed or reduced by the United Kingdom, Australia and Malaya. In addition to its economic and trade accomplishments, the Montreal Conference offered renewed proof, if any were needed, of the vitality of the Commonwealth, of its endless ability to grow and to adapt itself to changing circumstances, and, above all, of the unique role it fills in providing what might be called a bridge of brotherhood between North America, Europe, Asia -- indeed, all the five continents on the earth.

Governmental participation in multilateral organizations and conferences of the kinds which I have been describing can do no more than create the framework within which freer international trade can develop. They require vigorous follow-up action by private business interests and by governments to develop trade opportunities and to exercise constant vigilance to ensure that misunderstandings and obstacles do not arise in our dealings with individual countries. Nowhere is this more true than of our trade relations with the United States which play such an important role in the economic well-being of Canada. The founding in 1957 of the Canadian-American Committee, with which some of you, I know, are connected, has done much to facilitate the frank and friendly examination of Canadian and American problems by private individuals and businessmen. At the Cabinet level, the Joint United States-Canadian Committee on Trade and Economic Affairs, the last meeting of which was held in Ottawa early in January, permits the kind of consultation which is essential to the understanding of our manifold mutual problems.

Admittedly there is still room for more effective co-operation and frank consultation at both private and government levels. Consultation, it should be noted, is not an end in itself but a means of eliminating harmful conflict in our trade relations. To succeed, it must include a reasonable expectation that policies complained of will be modified or ameliorated. Consultation for its own sake or to obscure the absence of constructive mutual accommodation could be not only futile but harmful to the good relations between our two countries.

Less than a week ago President Eisenhower announced that a system of mandatory controls was being imposed on imports to the United States of crude oil and its principal derivatives. The justification for this action was said to be the security interests of the United States, but it is the Canadian Government's firm, and we are convinced reasonable, contention that there can be no justification on security or on any other grounds for the application of such

controls to Canadian oil. Indeed, continental security requires that a more rational use be made of such continental resources as these, and the Canadian Government is determined to persist in its efforts to secure unimpeded access of Canadian oil to the markets of the United States. The President has expressed the hope that in the course of further conversations agreement can be reached which will take fully into account the interests of Canada and other oil producing states. We sincerely hope that his expectations are fulfilled, for the Canadian Government is bound to use all means at its disposal to safeguard vital Canadian interests.

What I have said would apply with equal force to the sharing of defence production contracts required to fulfill the continental defence partnership into which we have entered with the United States. It is of the utmost importance that the highly proficient research and development skills and techniques which have been developed in Canada be preserved and expanded and that Canadian materials, finished products and component parts be used in the common defence effort. This participation by Canada can be justified on political, economic and military grounds. A strong Canada means a strong partner in our continental defence. It is sometimes discouraging to learn that these problems which are of such vital concern to Canada are most imperfectly understood by large sections of the American business community. Indeed, there is often a total unawareness of their existence. To you, as businessmen, I say that we must be persistent in our efforts to gain recognition of our rights and interests when working out practical relationships with our good neighbours to the south.

Our problems as a world trader are not, of course, confined to our relations with the United States, important though they are. One aspect of current economic developments which we follow in Canada with interest, not unmixed with concern, is the creation of the European Economic Community or common market and the various proposals -- none so far successful -- for associating with it, in a less integrated grouping, the United Kingdom and most other countries of Western Europe. Because more than one-quarter of total Canadian exports go to Western Europe, our trading arrangements with that area are of the utmost importance. They are also, I need hardly point out, of fundamental interest and importance to this city through which so much European trade passes. A strong, prosperous and outward-looking Europe would contribute to the expansion of Canadian trade, but a restrictive regional trading group would, by contrast, have most serious implications for us.

May I digress from this discussion of our trade problems to dwell for a moment on a related problem with which the Government has been preoccupied of late -- that of the extent of the territorial sea and fishing limits, which is of such great significance to Canada's fishing industry. Canada

maintains that recognition should be given by the international community of nations to the economic needs of coastal states with regard to the living resources of their adjacent seas. At the first World Conference on the Law of the Sea, Canada put forward what has come to be known as the "Canadian proposal" which provided that every state is entitled to a six mile territorial sea and a further six mile fishing zone reserved exclusively for the fishermen of the coastal state. There will soon be a second world gathering to reach agreement on these questions and I can assure you that the Canadian position will firmly remain to achieve agreement on a rule of law which provides every coastal state with an exclusive fisheries jurisdiction.

You, as a group, are perforce more concerned with trade than with aid, yet, from the Government's point of view, aid now assumes a most important role in our international economic relations. Many of the so-called under-developed countries, particularly in the Far East, have only recently won political independence and are apt to fear that economic assistance may serve as a cloak for political interference. Canada, being a middle power and free of any suspicion of a desire to dominate or control others, is an acceptable donor and we, for our part, have accepted the challenge offered by the extreme poverty and economic under-development of many areas of the world and have striven to help those areas to help themselves. Our post-war financial assistance abroad had, by March 31, 1958, totalled \$4.3 billion. Of this, actual expenditures for economic and technical assistance to under-developed countries totalled about \$290 million. The bulk of the remainder went into postwar reconstruction, loans, relief, and subscriptions to international financial institutions, such as the International Bank and Monetary Fund, which play a major part in the creation of the financial climate necessary to the healthy employment of the world's capital resources.

The huge resources which we and other Western nations have devoted as aid to the less-developed countries can be justified on humanitarian grounds alone. You, as businessmen, will agree that it can equally be justified in commercial terms in that it will provide the initial stimulus which will start the self-generating process by which these nations can in turn become our customers and trading partners. There is, too, the consideration that when Canada makes a contribution of this kind, it is more often than not in the form of Canadian goods and services which these countries need and for which they have asked. It is our belief that a programme which is thus based on a mutuality of interest between Canada and our friends in the under-developed countries is best calculated to advance our common objectives.

One aspect of Canadian aid which is of particular interest to the Maritimes is our programme of assistance to The West Indies. There are, of course, long-standing links between Canada -- especially this part of Canada -- and The West Indies. At the present time the islands in The West Indies are emerging toward independence within the Commonwealth. They are doing so under the auspices of a Federation established last year with its capital at Port-of-Spain. This new Federation will be Canada's closest Commonwealth neighbour and we anticipate that our relations with the Federation will come to reflect this special association through greater and freer trade, through increasing student exchanges, and in many other ways. We have already undertaken to provide The West Indies with assistance in their economic development by undertaking to make a total of \$10 million available to them for this purpose over the next five years. The form which this assistance will take is intended to reflect Canada's interest in seeing the bonds of the Federation as such strengthened. To this end, it is likely that the bulk of the funds to be made available to The West Indies will be used for the building in Canada of two ships for inter-island service in The West Indies. These ships will mean to the new Federation what our transcontinental railway meant to Canada in linking the Maritimes to Western Canada in the building of our nation. These ships will, it is hoped, contribute to the development of a viable economy for the new Federation in which the resources of the small and scattered islands may be harmoniously and advantageously, rather than competitively exploited. The consequent development of a broader commercial and industrial system will be of direct benefit as well to the Maritimes with which The West Indies already enjoy such mutually advantageous traditional trading links.

There is, however, a third reason underlying international aid today which is directly related to the cold war now being relentlessly waged between East and West. I cannot leave the twin subjects of trade and aid which have been my main theme this evening without referring, however briefly, to the challenge that we are facing from the Soviet Union on both counts.

In recent years the Soviet Union and its communist partners have launched a trade offensive which is calculated to capture markets in all parts of the world almost without regard to considerations of cost or profit. They have also, from time to time, disrupted the world's commodity markets -- tin and aluminum are two examples -- by releasing supplies at times and in quantities sufficient to create or intensify serious falls in prices. Offers of economic assistance, too, have been and are made on terms which it is difficult or even impossible for the free economies of the West to meet. In actual fact, of course, the countries of the West have done very much more to help the economically under-developed countries of the world than has the Soviet Union and its allies and satellites. But this certainly does not mean

that we can afford to be complacent about it. We must never lose sight of the need to work with the less fortunate peoples of the world and to help them in their long struggle to free themselves from want and fear. Abraham Lincoln said in another context that his country could not endure, "half slave and half free". Our civilization cannot endure when more than half of mankind still lacks the means to free itself from the servitude of grinding poverty. One way or another, these peoples will continue to reach for their place in the sun, and there can surely be no question that it is to their advantage and to our own that they should be helped to find it without succumbing to the false and hollow attractions of the totalitarian way. My personal conviction is that a great -- perhaps the greatest -- factor in deciding their choice will be the proof that we ourselves can give that our way of life -- the free way -- works better than the totalitarian. Thus, from this point of view as well as all others, it is of vital importance that we should successfully and harmoniously solve the common economic problems of the free world.

I have spent some time in describing "Canada's network of international economic relations" and you may ask yourselves what purpose is served by this network; of what use are all these organizations and agreements and study groups, and plans? Any satisfactory answer must be in several parts. First, I must repeat that Canada's economic structure obliges us to look outwards. "It is necessary, at least in thought, to circumnavigate the world in order to see Canadian life and problems clearly" is the way a recent Royal Commission put it. As the world's fourth trading nation then, we have a special interest in the commitment to the world outside our boundaries. Secondly, it is true that for all countries, isolationism, either economic or political, is becoming less and less possible. If on one side, we have greatly increased inter-dependence on an international and world-wide scale, on the other hand, it is true -- and this is the third part of my answer -- that the responsibilities assumed by national governments of today for maintaining and assuring full employment and high living standards in their respective countries can create strong incentives to economic nationalism. No modern government can ignore this fact of life, even if it is committed by tradition to a philosophy of free enterprise. Given our world-wide inter-dependence therefore, and given the categorical imperatives to which the governments of today must respond, we come at the end to a justification for all these many conferences and committees, plans and agreements. The plain truth is that in the field of international economic relations we must either work together or accept the fact that we may well perish together. The Soviet Union could subjugate the world by driving the Western countries into bankruptcy.

As Minister for External Affairs, I am acutely aware that the trading relationships about which I have been speaking, and on which the prosperity of this country is

dependent, are themselves dependent upon the maintenance of peace. It would be quite unrealistic for any of us to ignore the fact that today that peace is threatened by the crisis which the Soviet Union has chosen to precipitate over Berlin.

I am sure that you are all sufficiently aware of the main issues at stake in Berlin to make it unnecessary for me to rehearse in detail the facts of the situation. Suffice it to say that the rights of the Western powers to be and remain in Berlin are well grounded in historical fact and in various four-power agreements, and that the Soviet attempt to alter those rights by unilateral action is an illegal and potentially dangerous development. Although one's reason tends to reject instinctively the possibility that East and West could stumble into war over Berlin, the grim facts are that on the Western side there is a solemn obligation not to abandon the 2.5 million inhabitants of West Berlin to the mercies of the Communist pressures by which they are surrounded, and, on the Soviet side, and apparently equal determination to put an end to the Four Power Agreements by virtue of which West Berlin remains today a window through which communist East Germany can observe a working democracy at close -- perhaps too close -- quarters. Although it is only the United States, United Kingdom and France who have direct occupation responsibilities in Berlin, Canada shares with other members of the North Atlantic Alliance the commitment to treat an attack upon Berlin as an attack upon itself. Canada has, therefore, a direct stake in seeing to it that the pursuit of conflicting interests in Berlin does not lead to war. For Berlin and for adequate negotiations Canada must "Look Out".

As recently as last year the world passed through dangerous moments -- first, in the Middle East, and then in the Far East -- where war was an imminent possibility. The Berlin crisis differs from those earlier crises in one fundamental respect which imbues it with an infinitely more menacing quality. It is that for the first time since the war we are witnessing a direct confrontation of the armed forces of the world's nuclear powers, with neither a buffer territory nor protege states between them that serve to limit the scope and scale of possible hostilities. Because both sides are alive to the ultimate futility of recourse to weapons of mutual annihilation, I am satisfied that neither would deliberately light the spark which could, by inexorable military logic, lead to their use. The danger, as I see it, therefore, lies in war by miscalculation.

It is for this reason that I have repeatedly called for a moratorium on such talk as "if you shoot, I will shoot" -- which only compounds the possibility of error. This is an age of nuclear weapons in which there is no room for belligerent challenges and responses of that nature. It is for this reason that the Canadian Government has called for flexibility in the approach to the problem of Berlin -- the kind

of flexibility which would permit the Western powers to advance concrete proposals of their own without always being caught off balance by an interminable series of Russian initiatives by means of which the Soviet Union creates the illusion that it has a monopoly on peaceful intentions. Although it is difficult, I know, to accord a serious reception to these Russian proposals which follow one on another in bewildering succession, surely there is room for firmness that would stop short of rigidity -- a firmness that would occasionally permit us to say "Yes - provided that" instead of automatically "No - unless".

I am not at liberty to discuss the details of the kind of proposals which Canada has already advanced. These our Prime Minister and I will discuss the day after tomorrow with the United Kingdom Prime Minister and Foreign Secretary when they visit Ottawa. To them we will, however, say, as I say to you now, that while we recognize the necessity to study carefully how best to meet any eventuality, it is Canada's sincere hope and it will be Canada's endeavour that the extremes which must be envisaged in such planning for contingencies will be avoided. We do not regard flexibility and firmness as incompatible concepts and I am confident that our British visitors will fully share the Canadian point of view. We all must applaud Mr. Macmillan's wisdom and strength in these anxious days. Surely the great accomplishment of his visit to Moscow was the declaration to which both sides subscribed, in which they avowed their determination to settle all disputes by negotiation. In the nuclear age, there is no other way.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
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AN ASSESSMENT OF THE UNITED NATIONS

The opening address by Mr. Sidney E. Smith, Secretary of State for External Affairs, to the University Model United Nations Assembly, University of Montreal, on February 4, 1959.

C'est avec grande joie que je me trouve parmi vous aujourd'hui. Il me fait d'autant plus plaisir de vous adresser la parole que cette occasion coïncide avec ma première visite au nouveau Centre social de l'Université de Montréal. Nous savons tous le rôle éminent que jouent les institutions montréalaises de haut savoir dans la vie et dans la pensée de la nation canadienne tout entière. Il n'y a pas de meilleur exemple de cet apport que la présente réunion. Je tiens à profiter de cette occasion pour féliciter les organisateurs et en particulier remercier l'Université de Montréal qui a bien voulu nous accueillir.

Canadian Support for the U.N.

In his message of welcome and good wishes to the organizers and participants of the University Model United Nations, the Prime Minister, John Diefenbaker, said that the United Nations constituted an indispensable instrument of international diplomacy and that support of this organization is a basic element in Canada's foreign policy. You in this Model United Nations are therefore performing a notable international and national service in fostering knowledge of and respect for the world organization, and you are to be congratulated on the imaginative way you have set about your task.

Perhaps it would offer an appropriate background to your deliberations of the next few days if I were to explain in greater detail why it is that Canada looks upon support for the United Nations as a cornerstone of foreign policy -- why it is that we have attached so much importance to fostering and strengthening the United Nations ever since its inception in 1945. It may fairly be asked why we, in common with the vast

majority of other states, have an abiding faith in an organization which in some respects seems to have fallen so far short of the high hopes entertained for it in 1945. Those hopes centred on what are admittedly the key purposes of the Charter - the maintenance of international peace and the pacific settlement of disputes. They were hopes born out of the anguish of the Second World War and which had inspired those who met in San Francisco to express, in the words of the preamble of the Charter, their determination to "save succeeding generations from the scourge of war". For most people, that high purpose conjures up a picture of a United Nations capable of safeguarding the peace and of enforcing its decisions in international disputes by the application of collective force.

Limits of United Nations effectiveness

Critics of the United Nations point to its failure to fulfil that supreme function and draw the hasty conclusion that as an instrument for the safeguarding of international peace the U.N. is ineffective. In fact, the means whereby the United Nations would have at its disposal enforcement powers have never been established in the way the Charter envisaged, mainly because the relevant passages in the Charter were all predicated on the existence of harmony between the permanent members of the Security Council. I need not labour here the disappointing and dangerous political divisions which have characterized great power relationships in the post war period and which have effectively frustrated many of the security provisions of the Charter. Those same political divisions between the Soviet Bloc and the rest of the world have tended also to hamper the ability of the United Nations to exercise its conciliation functions.

To the critics of the United Nations I would say that if the world organization has failed in some respects to live up to the high promise of its earliest days, the reason is to be found not in the defects of the organization itself, but in the unhappy facts of the contemporary political scene. I would also say, however, that these shortcomings, which centre almost entirely on the peace-keeping provisions of the Charter, should be kept in careful perspective. No one would wish to deny the paramount importance of those Charter provisions relating to the maintenance of international peace and the peaceful settlement of disputes, but we would do well to remind ourselves that a further object of the Charter is to protect the dignity and worth of the human person and to promote social progress and better standards of life.

Achievements

In the pursuit of this objective, the functions of the United Nations today go far beyond issues of war and peace. In the kind of world which modern technology

has helped us to create, the interdependence of regions and nations has become so much a fact of our daily existence that extensive and well co-ordinated machinery for concerted international action over a wide range of economic, social and cultural problems has become essential to our present way of life. Basically these activities contribute to and make for peace. I suggest to you that had the United Nations proved completely ineffective in dealing with political disputes -- which it has not -- the United Nations or some other organization of universal proportions would still have had to be maintained for the regulation of the myriad fields in which the international community is now so interdependent. Let me stress again that it would be folly to allow disappointment at certain security shortcomings in the world organization to obscure its solid achievement in the economic, social and cultural fields, as exemplified in the work of the Economic and Social Council and the many specialized agencies which have been set up under its aegis. At the last session of the General Assembly, a new Chapter in this kind of activity was begun in the creation of the United Nations Special Fund which will enable the United Nations to participate in pilot projects in under-developed countries, in fields such as resource surveys, housing or sanitation. The possibilities which this new project opens up for the betterment of all mankind are virtually limitless and in some respects no less exciting than the dramatic issues of war and peace which tend to overshadow the more pedestrian activities of the United Nations.

Forum for Negotiation

But to revert to those questions which have involved the maintenance of peace, I hasten to make plain that I am not of those who believe that the United Nations has proven ineffective in this field. In spite of its inability to bring force to bear to implement its decisions and in spite of the fundamental differences between the Communist Bloc and the rest of the world, the Security Council and the General Assembly of the United Nations have been instrumental in resolving a host of potentially dangerous situations, simply by providing a forum in which the process of negotiations and conciliation can go forward. It is, after all, of the essence of a peaceful settlement that there be negotiation between the parties to a dispute. The Charter enjoins member states to have recourse to bilateral talks and regional arrangements before turning to the facilities of the United Nations. Thus the Charter itself recognizes that the United Nations machinery is not the only means available for the pacific settlement of disputes and it is generally recognized that there are occasions when the United Nations alone might not be the most effective forum. Even in such cases, however, the opportunity for discussion and multilateral negotiation which is afforded by the 82 nation General Assembly can be a most useful adjunct to conventional

private diplomacy. It can on occasion create the circumstances in which private diplomacy can work. In fact the two processes of open debate and private negotiation are rarely completely separated in the United Nations. It is a truism that the exchanges which take place in the corridors are equally as important as those which take place publicly in the Council Chamber and Assembly Hall.

In assessing the value of the United Nations as an instrument for the peaceful resolution of potential conflicts, we should not neglect the important moral suasion which it can exert by providing a means for the expression of world opinion. The procedures of the United Nations are available to any member state which feels its security threatened by the action of another member. There is available to all, therefore, a convenient means of bringing the harsh light of public opinion to bear on the circumstances of any complaint and there are few governments, if any, whose actions and reactions are entirely impervious to public opinion at home and abroad. The consideration of a complaint in these circumstances tends to ensure that negotiations once begun will continue until a generally acceptable solution has been reached. This is the diplomacy of reconciliation about which the Secretary General has so often spoken and which more often than not requires no formal action on the part of the Security Council or the General Assembly.

Preserving the Peace

Where the Security Council has been called upon to intervene in a number of dangerous situations, it has a creditable record of success in its early days. Iran, Indonesia, Kashmir and Palistine are examples from the period 1945-1949. Some of these problems are not yet resolved, it is true, but the assistance provided through United Nations observation machinery in the early stages has in nearly every case brought appreciably closer the prospect of achieving a permanent solution, while in the meantime warding off a possibility of further deterioration. Consideration by the United Nations in the last three examples I have mentioned, where open hostilities had taken place, was instrumental in bringing about the cessation of hostilities, an essential preliminary to the opening of negotiations. The observer groups which were set up by the United Nations to supervise the cease-fire arranged in Kashmir and Palestine are still on the spot, and by their presence they are helping to prevent a renewal of hostilities.

The promising record of Security Council interventions in the early stages of its existence was, of course, brought to an abrupt halt by the deepening crisis of the cold war after 1948. The unusual circumstances surrounding the Security Council's firm response to the Korean crisis of 1950 led directly to the adoption of a new approach designed to avoid the paralyzing consequences of the vote in the Security Council. Recognizing that substantial Charter revision was out of the

question, but recognizing also that the General Assembly had no power of enforcement under the Charter, the members of the United Nations sought a means of using the power which the Assembly already possessed -- the power of recommendation based on persuasion and moral force and not on command -- should the Security Council be rendered impotent by the veto. Out of this examination emerged the resolution which is known as the **Uniting for Peace Resolution** and which was designed to allow the General Assembly to be used for security purposes on those occasions when the Security Council failed to discharge its primary functions. Under the provisions of this Resolution, an emergency session of the Assembly can be called on short notice for the purpose of discussing any situation arising out of a breach of the peace or an act of aggression and for the purpose of making recommendations in that connection if the Security Council has failed to reach agreement.

It was the **Uniting for Peace Resolution** which provided the basis for Assembly action two years ago when hostilities broke out in the Middle East. On that occasion, it was the Assembly which was able to obtain a cessation of hostilities and, in achieving this objective, it was the Assembly which created and was able to secure acceptance of a United Nations Emergency Force. All will agree that UNEF has made a valuable contribution to the preservation of peace in the Palestine area.

More recently, we have had further examples of a successful intervention under United Nations auspices to preserve the peace, this time in a heartening example of the Security Council functioning as I believe it was intended to function: I am referring, of course, to the Council's decision in June 1958 to send an observation group (UNOGIL) to Lebanon with a view to ensuring that there was no illegal infiltration of personnel or arms across the Lebanese borders. UNOGIL wound up its activities some five months later having made a steady contribution towards tranquility of the area throughout the critical events of last summer. That same crisis brought in its train a further example of United Nations peace-keeping activity in the form of the United Nations "representative", now stationed in Amman and shortly to have counterparts in Damascus and Beirut.

The catalogue of activities which I have been describing provides, I think, an excellent illustration of the varied means which the United Nations is coming to have at its disposal for the preservation of the peace and settlement of disputes between states, ranging all the way from armed forces in the field under the United Nations flag to the more token presence of a United Nations representative. It is probable that the Security Council and, in the event of its

failing to act, the General Assembly, to an increasing extent will have recourse to investigatory procedures in order to determine the validity of charges of various kinds of aggression brought before it. It seems to me that, in this age when we are more likely to be confronted with types of indirect aggression, it becomes less important to measure the United Nations' peace-keeping capacities in terms of armed forces at its disposal.

I believe, too, that, in the infinite variety of United Nations activities for the prevention of conflict, we are witnessing something bigger than the more erratic and ad hoc efforts by the United Nations to act as a fire brigade in temporary emergencies. Perhaps what we are in reality passing through is a stage in history in which the international organization, like the nation states before it, is groping its way uncertainly and slowly towards a more rational society in which the relations between states will be regulated through the orderly processes of the United Nations. Each time an initiative of the kind I have just been describing is launched and is successful, we add in a small way to the creation of a climate of confidence which will lead nations closer to accepting the benevolent and objective authority of the United Nations to act as the guardian of the independence and integrity of nations as provided for in the Charter. The divisions and tensions which have characterized the international scene since the United Nations was founded have seriously impeded progress towards that goal -- but they have not arrested it entirely. They have, it is true, introduced new caution into the consideration of permanent stand-by force arrangements to be at the disposal of the United Nations in future emergencies. But by the same token, they have resulted in the expansion beyond all anticipation of the role of the United Nations as a forum for negotiation, and in the successful development of a wide diversity of United Nations machinery to help maintain the peace while political solutions are being sought.

Meanwhile the other activities of the United Nations and the specialized agencies, their work in the economic, social and cultural fields and in the encouragement of respect for human rights, go on. This work, while not directly related to the grave political and security problems, cannot but be in the long run a significant factor in the amelioration of the conditions which give rise to international conflict.

In all of these fields, the United Nations has had its successes: despite its limitations and occasional failures, its prestige has remained high, and I think we can look forward with some confidence to a further increase in the effectiveness of the United Nations.

Your activities here can make their contribution towards that end, and I wish you all great success in your proceedings of the next few days.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

59/17

THE NORTH ATLANTIC COMMUNITY

A statement by the Prime Minister, Mr. John G. Diefenbaker, broadcast by the C.B.C. National Network on April 3, 1959, in observance of the tenth anniversary of the North Atlantic Treaty.

Ten years ago, the representatives of twelve European and North American countries met in Washington to put their signatures to a Treaty which involved an untried experiment in international affairs. They signed the North Atlantic Treaty, a regional alliance within the framework of the United Nations, designed for the mutual defence and economic betterment of countries having a common interest across and about the North Atlantic area.

Now expanded to include fifteen nations, the members of NATO have been meeting this week in Washington to continue the work to which the organization is dedicated. They have been discussing common problems and charting the course to be followed in the coming months. This has been one of the most important meetings ever held by the Ministers of NATO Governments, for during the coming months discussions will be held with the U.S.S.R., designed to remove tensions which have divided East and West in Europe.

When NATO was formed the threat of aggression against the West was most apparent, if not imminent. The unity of the nations forming NATO has acted as a deterrent to the U.S.S.R. in its aggressive designs, and has continued to do so ever since. That peace has been maintained in Europe is in large part the result of the unity of these nations.

NATO is entirely defensive in its aim and purposes, as are its member countries which stretch from the Bosphorus, through the heart of Western Europe, and across the Atlantic Ocean to the western shores of North America.

For the first time in history Europe and North America are bound together in time of peace. How different it is to the days before the First World War and after, when nations large and small tried to live unto themselves alone -- with tragic consequences.

Europe and North America are, of course, different in many ways. Our outlook is not always theirs. Our problems are often different from those of our European cousins. But we are intimately connected by the bonds of common tradition and cultural heritage. Canada's languages and customs are for the most part European in origin. The Canadian social and philosophical background is deeply rooted in European civilization. Canada has always been closely bound to the United Kingdom and France -- to the United Kingdom by the ties of the Crown, the heritage of freedom, by membership in the Commonwealth -- to France, as the origin of so many of her people, by the contribution she made to the building of Canada, and by cultural ties.

NATO is basic to the survival of freedom. It is more than a military alliance. It must develop and expand the economic principles inherent in the Treaty whereby each of the member nations "will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them".

The Atlantic Community has been dynamic and in constant growth. Canada as one of the member nations has opened its door to more than a million immigrants from Europe. It has assisted needy nations to repair the ravages of war. Indeed, since the communist blood purge in Hungary it has opened its doors to refugees from communist oppression in that country to a greater relative extent than has any other nation. This movement of peoples with their talents and skills has enriched Canada.

Our partners in Europe are stronger because of the assistance given them to rebuild and restore their societies. Canada has through immigration come to understand the points of view of the nations represented by the immigrants. Tens of thousands of Canadian servicemen and their families have spent two or more years on guard in Europe and have brought to their hosts an understanding of the life and point of view of Canada.

When I visited our partners in NATO and in the Commonwealth last fall, I had the pleasure of visiting our Canadian Brigade in Germany and our Air Division in France. I was proud to be a Canadian as I watched these men and women who are standing in the front line of the defence of liberty in Europe. I was both proud and pleased to learn of the happy relationships that have been developed with

their French and German neighbours. Canada's service men and women are not only making a substantial contribution to the defence of Europe, they are making Canada known and understood by the people of these two great nations. They are contributing to the growth and development of the Atlantic Community.

In my talks with the leaders of all the NATO countries which I visited, I found a recognition of the need to preserve what we have developed, and to improve and develop the Atlantic Community. Over the past ten years much has been done to weld us together despite every effort of the Soviet Union to break us apart. More remains to be done.

As we enter the second decade in the life of the Atlantic Community its member nations are facing difficult problems, but I am convinced that armed with the determination to stand together and to defend those principles on which our Community is founded, we shall emerge stronger and more united than ever. We shall not reject any reasonable proposal which shows promise of leading to the removal of differences with the Soviet Union, but we will not be persuaded that the cause of peace or of Western civilization will be served by the breaking up of the Atlantic Community.

The builders of NATO builded better than they knew. Its strength, dedication and unity has preserved the peace in the past. The hope of the Free World is that it will do so in the future.

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STATEMENTS AND SPEECHES

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No. 59/18 THE ECONOMIC DEVELOPMENT OF THE CANADIAN NORTH

A paper given at the annual meeting of the Ontario Geography Teachers Association, Toronto, on March 31, 1959, by Mr. John L. Jenness, Chief of the Economic Division, Department of Northern Affairs and National Resources.

... I have been asked to discuss present trends and future possibilities in the economic development of the Canadian North. By way of introduction, I should like to raise three questions.

First, what is the Canadian North?

Is it that part of Canada north of the 60th parallel where the Federal Government alone has jurisdiction - the part known to all of us as the Northwest Territories and Yukon? Or do we mean the area which lies beyond the boreal forest - the treeless tundra whose southern boundary follows no single parallel of latitude, but extends instead from the delta of the Mackenzie River to Churchill in Manitoba, thence across Ungava to some point on the coast of Labrador? Or again do we mean by "Canadian North" merely the area north of rail, which in Ontario and Alberta would mean north of Moosonee and Waterways respectively, but which in the Yukon would have to be beyond Whitehorse, the northern terminal of a railway that starts at tidewater in Skagway, Alaska?

The Canadian North can mean any one of these, I think, depending upon whether you approach the area from the vantage point of administration, of climate, or of transportation. Economists, indeed, may offer yet a fourth definition, but I shall return to that later when I come to my central theme of northern development.

Now for my second question. Where does "the North" begin?

The answer will depend in part, at least, upon our point of departure. To the United States tourist, going north may involve no more than a visit to Niagara Falls,

Ottawa, or some other Canadian destination equally close to the United States border. To Canadians, of course, this isn't "the North" at all; yet we use much the same logic when, from a look-out in Toronto, we view Abitibi or Sudbury or Kirkland Lake as northern communities. Out in the Peace River country of Alberta and British Columbia, people hold very specific views about where the North begins and does not begin. They are quite emphatic that it is the land lying beyond their country, in the direction of Great Slave Lake and the Mackenzie Waterway. In fact, these Peace River people are very sensitive on the subject. It is one of their long-standing complaints that both the Federal and the Provincial Governments have neglected their area as though it formed a part of the forbidding North, beyond the frontier of economic interest.

Finally, my third question - Do we go up north or down north?

This question may at first seem foolish - the obvious answer is up north, of course, because the conventional map in our offices and classrooms is based on a conic or Mercator projection, and shows the northernmost lands and islands far towards the top of the map or even cut off beyond it. With such a map, up north inevitably suggests a remote and isolated location, far removed from the centre of all activity.

Until quite lately, indeed, the North was remote and isolated. Today, however, we see it in a new perspective. We have learned that the shortest intercontinental air routes follow great circles, that from San Francisco and Vancouver to London or Paris, and from New York to Tokyo or Moscow, the shortest and fastest routes traverse the polar region. In this aid-minded age the Arctic has moved from the periphery of things to the centre; it is becoming in fact one of the great aviation crossroads of the modern world.

In recent months, too, certain events have focused still more attention upon the most northerly reaches of Canada. Headlines in your newspapers have described the stampede of applicants requesting permits to explore for oil and gas in Canada's Arctic Islands, islands that as we now know, actually lie closer to the hungry markets of industrial Europe than do the oil fields of our western provinces or those of the Middle East and Venezuela. This dramatic oil-rush has opened before us a new horizon, one which offers vistas of Arctic ports and submarine tankers, and raises the prospect of a day when the frozen polar ocean will become a mediterranean sea for international commerce. Equally suddenly, our Arctic Islands have lost their remoteness; the land as well as the latitude has moved from the periphery of our map to its centre.

The point I am making here, of course, is this: our conventional maps may be quite adequate for courses in civics, or for delineating the centres of manufacturing; but they fail us for trans-polar travel, and they are rapidly becoming outdated for northern development.

What we need is a polar projection map to emphasize our northernmost territories. Only on such a map will Frobisher and Resolute and Tuktoyaktuk appear in proper perspective, oriented towards the markets to which their products may some day flow. By contrast, those northern areas in more southerly latitudes which we are developing today will appear "down north" on our map, that is in the direction of industrial Canada and of the map's lower extremity.

In point of fact, geographers or economists should consider our national territory as consisting of two dissimilar entities. Here in the south, along a narrow band stretching from coast to coast, lies the urbanized, industrial Canada, the part of the country which furnishes the economic backbone of our entire national structure. All the rest of Canada - almost nine-tenths of it - is "the North", a vast underdeveloped frontier land that includes the northern half or more of every province outside the Maritimes, and in addition the Yukon and the Northwest Territories. This enormous area is little known, poorly explored, and accessible only with difficulty. It contains, it is true, a few small mining communities, some defence and government establishments, and numerous trading and missionary outposts; but these are mere pinpricks on an otherwise empty map. Taken as a whole, the area remains today what it has always been in the past - the habitat of nature rather than of human progress.

Yet this vast area is our second Canada, "the North" we are really talking about when we refer to northern development. That parts of it are federal territory, and parts come under provincial jurisdiction, should make no material difference.

Problem of Transportation

The vastness of Canada and her limited financial resources, have created one fundamental problem: the provision of adequate transportation facilities. Wherever, in the past, no form of transport has been available, economic development too has lagged. It is in this field of transportation that the Federal Government is making its most imaginative contribution toward the development of the Canadian North. It has undertaken to spend upwards of \$100 million of federal funds over the next 5 - 10 years on a national roads programme to stimulate the development of the national resources of Canada. In the provinces, where Federal and Provincial Governments are working co-operatively and sharing costs on a 50-50 basis, the programme has been named "Roads to Resources". If these

Governments built all the roads it allows for, the total expenditure would run as high as \$135 million. In the northern territories the Federal Government alone holds jurisdiction, and must bear the entire cost burden. The programme for that area therefore is known as "Territorial Roads" and is expected to produce \$70 million worth of roads in the next seven years.

In both the provinces and the territories the objectives of this vast scheme are identical: to give access to known and potential resources in promising under-developed areas, in the hope and expectation that the development and production of those resources will speedily follow. Thus the horizons of settlement and industry will be extended, and all of us, wherever we may live, will benefit through fuller employment, and through the variety of other economic and social gains which accompany an expansion of the gross national product.

Our programme therefore, will produce new roads in both of the northern territories and in nine of ten provinces. Under "Roads to Resources", agreement in principle has already been reached with all provinces except Quebec, and negotiations between the Federal and Provincial Governments leading to the signing of formal agreements are well in hand. To date, one agreement has been executed between Canada and British Columbia: it covers the construction of a road between Stewart and Cassiar at an estimated cost of something over \$15 million. Work actually started on this road during the 1957 season.

In the other eight provinces with which negotiations are nearing conclusion, the Provincial Governments have received authorization to commence work on roads already agreed to. Some of these roads have been reported by the press - I have seen several references to the Ontario programme for example, and Time magazine carried a story on the programme in Saskatchewan. However, because of an undertaking given the various provinces that information on individual roads will not be made public until formal agreements have been signed, I cannot give you the details of any of these projects at this time.

You may be wondering why Quebec alone remains apart, why it has not responded to the Federal Government's development vision. One reason may be that the province is already enjoying a development boom, a boom financed by private capital, and it sees no necessity to stimulate additional development at the present time. But there may be other reasons too, among them one - economic climate - which will be readily apparent to all geographers.

Let me elaborate. On our North American continent the largest single market for both finished products and raw materials is the Atlantic seaboard market of the United States. The second largest, if indeed it is not merely an extension of the first, is the urbanized complex which occupies the Great Lakes and St. Lawrence River lowland. As a result of an ever-expanding demand in these market areas, a gradual but steady depletion has been taking place in the more accessible sources of many raw materials. Indeed shortages have developed already. It was, for example, a shortage of good grade ore to feed the blast furnaces of Philadelphia and of Pittsburgh, of Cleveland and Chicago, that led to the large-scale iron-ore development and production in central Quebec and Labrador, and to the continuation of iron explorations in other parts of this same general area.

The province of Quebec has the good fortune to occupy a strategic position near the centre of this market demand. It enjoys too, along with the remainder of Canada, a favourable reputation as a field for foreign investment. Its geology and area give every promise of abundant wealth in iron and other resources; in fact, exploration to the present has unveiled significant occurrences of a variety of usable minerals. Perhaps even more important than Quebec's minerals, however, is its geographical location: it is closer, and more accessible, to the major Canadian and American markets than any other part of our country. In short, it is ripe for development. It may be that the Government of Quebec feels that private capital needs no further invitation or inducement. Already this capital is moving rapidly in to develop the Mattagami, Chibougamau and other promising areas.

In some other parts of under-developed Canada, economic geography is not yet as conducive to development on the same large scale as in Quebec. Nevertheless, mining in particular has begun a northward course which is bound to continue; and markets for the products of our resource industries are expanding and growing more insatiable. These and other evidences, clearly indicate that the time is fast approaching when raw materials in the remaining parts of the Canadian North will assume their proper importance.

One of the most promising mineral occurrences known today in northern Canada is a lead-zinc deposit at Pine Point, on the south shore of Great Slave Lake. Here, extensive surface work and diamond drilling have outlined several million tons of potential ore, about 50 per cent of which would be mineable by open pit methods. A townsite has been laid out, and some utilities installed. But Pine Point is dormant. Nothing is happening. Development of the property has not materialized for the simple reason that production would be unprofitable until the area has become

more accessible. A railroad is needed to carry the Pine Point ores to Cominco's smelter at Trail, B.C.; and at present, the nearest railheads are at Waterways and Grimshaw, Alta., almost 400 miles south of Pine Point.

Here, then, is a clear case where the Federal Government might become a catalyst, and in so doing, facilitate a new mining development which assuredly would benefit the whole national economy. Moreover a railroad would bring a number of other advantages to the people of our country. It would supplement existing road and water routes to the mineral-rich areas on Great Slave Lake, thereby reducing freight costs from southern Canada to destinations on and north of this lake. It would permit a substantial speedup in the time of travel from railhead to the mouth of the Mackenzie River. It would contribute to the reliability of freight deliveries at all northern points served by the Mackenzie route - and this would include our outposts of defence on the DEW line. Within the broad area which would come within reach of its services it would facilitate further exploration and enhance the prospect of development.

In effect, it would contribute significantly towards the kind of economic climate that permits development to take place, and in so doing would profoundly affect the economic prospects of the entire Mackenzie District. A railway to Great Slave Lake will not be just another line opening up some particular lake or mine or serving some individual community. It will be one of the major development railroads of our country.

Before we allow our fancies to soar, however, let us remember that we have known for 60 years of these lead and zinc occurrences at Pine Point, but have made no attempt to develop them. Actual mining demands some clear relationship between costs and benefits, and at Pine Point this relationship is not yet adequately favourable. Transportation costs are the major factor in the present unfavourable cost structure, and it is apparent that this situation will be altered only if a railway is built. But railways cost money, and thus far the final decisions have not been taken to unlock these very large occurrences for development.

Native Peoples

The responsibilities of the Government will not end, however, with its stimulation of the use of the physical resources latent in our undeveloped North. There are also the human resources. The Government has a clear and inescapable obligation to foster a better way of life among the native peoples whom the white man found in occupation of the land, and whom he has often tended - sometimes ruthlessly, but more often thoughtlessly - to push to one side.

In former days, as you all know, these peoples - Indians and Eskimos - passed a relatively uncomplicated existence. They gained their livelihood by subsistence hunting and fishing; and though their resources were meagre, and the struggle hard, they managed to strike a balance with the wild game around them and generally derived a considerable amount of happiness from their manner of life. But this old existence has gone forever and their economy is now in a transitional stage. The introduction of firearms and of fur trading, the coming of T.B. and other diseases, and the encroaching influences of our industrial civilization have destroyed the bases of the original economy and of native society.

For many of our Canadian indigenes, unfortunately, these "civilizing" influences have brought as yet no tangible benefits. The fur trade alone cannot provide them an adequate livelihood, and the caribou on which they once depended for food and clothing have greatly diminished in number. There is not yet either enough wage employment for all the natives who would gladly work for wages, nor are there enough natives sufficiently well educated and trained to fill some of the positions that already exist. In consequence, far too many of our Indians and Eskimos have been reduced to a condition of abject impoverishment. This is the real tragedy. Instead of being better off, many - perhaps most - have become worse off. Instead of gaining new hope and a brighter prospect for the future many have lost hope and in some cases have no future. Even the dignity that characterized them in the days of their economic independence sometimes fails them, as it has failed many war refugees in the relief camps of Europe.

Let us not lose sight of the fact that our Indians and Eskimos are more truly Canadian than we are, and that they are entitled just as much as ourselves to an equitable share of Canadian prosperity.

Ladies and gentlemen, our kind of civilization is moving rapidly northwards and it is moving into the Canadian North to stay. The Government is alert to the need for positive action. It is doing everything in its power to ease the plight of those natives who are suffering. It is striving, with equal determination, to educate them as rapidly as possible, to absorb them into a viable wage economy. It has accepted the challenge of raising their standard of health; of creating opportunities for honorable and steady employment; of providing them with an opportunity to become an integrated, fully adapted and prosperous part of the Canadian family, able to employ their special talents in the development of our North.

The Government is aware that the economic growth of the North will vitally affect their lives, and with great initiative it is preparing them for the change. But it is private enterprise that must follow up this government lead as it moves in to develop the physical resources of the

area. Private enterprise must assume part of the task of promoting the prosperity, and well-being of our native peoples.

Role of Private Enterprise

You may ask what part private enterprise has played hitherto in the development of the Canadian North. For many years now private industry has been operating in the under-developed parts of the provinces and in the territories. It was under private initiative, for example, that gold mining sprang up in the Yukon in the late 1890's, and oil commenced to flow at Norman Wells, in the Mackenzie Valley, in 1920. Yellowknife, Flin Flon and Timmins, are old-established mining centres, all lying outside the perimeter of urbanized Canada. These are but a few instances, selected at random, of the attraction our northern resources have held for industry, and of the communities these industries have sponsored. One could cite many more.

In this context, it is fair to point out that a substantial proportion of the development now taking place in the North is directly attributable to private enterprise. While governments of the past have been deeply preoccupied in consolidating and developing the more settled parts of our country, private enterprise has kept one eye fixed on our northlands. Individual prospectors and numerous companies have probed the wilderness, gradually extending our knowledge of its remoter areas and pushing back the frontiers of settlement. They have staked out and examined many attractive properties, and have brought some of their wealth into production. Thus, past development of our northern resources has made a significant and growing contribution to our national wealth. Nevertheless, that development remains still small, and our vast northern area contains an infinitely greater potential than current production figures would indicate.

Fortunately, during the last few years private capital has shown increased interest in our northern resources, and some of the world's largest companies have actively participated in their development. Alcan accomplished one of the outstanding engineering feats of our time, for example, when it brought its Kitimat plant into production: it withdrew headwater lakes from the upper Fraser basin and diverted them through lofty coastal mountains to enable aluminum to be manufactured on the Pacific coast, at tidewater. Already it is generating a million horsepower of energy, and possesses the potential for a million more. In British Columbia's interior trench, a Swedish multi-millionaire and corporate interests have evolved a grandiose plan for a huge industrial empire. Their project is still at an exploratory stage; but if it materializes it will create the largest man-made lake in the world, will generate twice as much power as Niagara, and will establish a number of industries utilizing timber and mineral resources. In Manitoba, late in 1956, International Nickel began a \$175 million

operation for mining and refining the nickel of the Mystery-Moak Lake area, 400 miles north of Winnipeg. And on the shores of Ungava Bay in northernmost Quebec, two separate companies - one representing Krupp-Cyrus Eaton interests, the other a Rio Tinto subsidiary - have reached an advanced planning stage that may lead to the mining, the beneficiation and the marketing of immense quantities of iron ore at an early date.

These and other activities of private enterprise in the northern parts of the provinces augur well for further expansion and development in those areas. Yet more spectacular than any of them is the exploratory activity just now materializing far to the north, in territories which come under federal authority. There, in the Yukon, in the District of Mackenzie and in the Arctic Islands, we are witnessing a land play of almost unbelievable proportions, an exploration surge that directly involves upwards of 100 separate companies and individual concerns. By the end of December 1958 the Federal Government had issued exploration permits covering no less than 76 million acres (roughly 120,000 sq. miles) on the territorial mainland; and more recent applications for permits embrace an almost equivalent area in the Arctic Archipelago.

The magnets exciting this amazing stampede are oil and gas. Geological structures over a major portion of the territories favour the occurrence of these two fuels; we have found there sedimentary formations similar to those that have yielded oil farther south. The Norman Wells reservoir, for example, occurs in a limestone reef of Devonian age, similar to many oil-producing reefs in the Edmonton area; and in the Arctic Islands. Ellef Ringnes possesses salt domes comparable reportedly to those of the Texas gulf-coast where oil is so abundant.

These and other indications incline such companies as Shell, Texaco and California Standard to believe that north of latitude 60° Canada may conceal tremendously large accumulations of the energy fuels, and that this area may become in the future one of the world's major producers. According to one estimate (admittedly speculative) it could hold in reserve more than 30 billion barrels of oil and 200 trillion cu. ft. of gas.

I think these several examples will show that we are on the threshold of exciting and challenging changes in our North. For one thing, it is now the definite policy of the Federal Government to stimulate the development of the region's resources, by itself creating the conditions that will render such development possible. For another, the role of our Provincial Governments has become more dynamic; on their own initiative they are extending their horizons to the remoter parts of their territories. And finally, private industry has become alerted to the possibilities of the region and seems ready to participate far more actively in the development of its available resources.

Under these circumstances, it is surely not unrealistic to look forward to an increasingly vigorous growth in our North, and to anticipate more change there in the next decade or two than has taken place in the entire three centuries of its history. As in the past, we shall witness the unrolling of the frontier northward from southern Canada, but on a larger scale and at a somewhat faster pace. New transportation roads will be carved through the wilderness and will fan out throughout much of the continental interior. New mining and marketing communities will spring up and prosper, stimulating a demand for secondary industries, and public services. Employment opportunities will multiply and become more varied, necessitating more schools and more hospitals. Altogether, the land and the people just beyond the already developed areas of Canada can look confidently forward to an expanding share of our national prosperity.

For the Far North too, the future is bright. There however we foresee a difference. Development may not come up from the south - at least not directly - but start at the seacoast. Water, not land, will form the link with outside markets. The eastern Arctic may perhaps evolve earlier than the western, but this notwithstanding, Canada's northern seacoast, its third, will begin to come into its own.

In the farthest north part of our country, however, growth will be more spotty than farther south. Some coastal lands will prove more attractive than others. Not all will be equally accessible. Some existing communities may benefit, while others will certainly perish. Interest in the region is so new that it is still almost impossible to predict what exactly will happen. At this stage, however, one must assume that the governmental and military communities we have set up already will continue to exist, and that present mining towns will survive as long as their activities remain profitable. Less bright are the prospects for many small places which lean heavily upon missionary activity or the fur trade. Many of them have already outlived their usefulness, and unless they find new economic activities they may soon go out of existence. In their place, will arise new communities, predominantly mining ones, attuned to the economic interests of the present and the future, not those of the past. Where today we can count only one small producing mine on tidewater in the North, tomorrow there will be several. Where now only a handful of natives enjoy steady employment the years to come will see a substantial labor force; and awakening Northlands that today lack the strength for provincial responsibility will one day provide us with new provinces.

That, in a nutshell, is the economic present and future of nine-tenths of our country - our Canadian North.



STATEMENTS AND SPEECHES

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DEPARTMENT OF EXTERNAL AFFAIRS
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CANADA IN THE SPACE AGE

Notes of a speech by Mr. J.G. Diefenbaker, the Prime Minister of Canada, at the Royal Military College, Kingston, Ontario, on May 15, 1959.

The world stands on the threshold of the space age. It is proper that one should ask today: "Where does Canada stand in the quest for knowledge of the uncharted wonders that lie beyond?" "What are Canada's potentialities?" "What can Canada achieve in collaboration with others?" "What practical benefits can accrue to Canadians and to mankind as these new regions and scientific knowledge are explored"? These are questions about which it is possible to speak, if not with certainty, at least on the basis of evidence which is accumulating every day.

It seems appropriate that on this occasion I share with you some thoughts and speculations about the future, with special attention to the realm of outer space and the ways in which it may be utilized for the betterment of man. As students at a military college, you have undoubtedly been aware of the new and exciting developments in science which have taken place in recent years. Your training and your curriculum have been adapted to meet the changes brought about by the march of science and engineering. It is the hope of your instructors that your minds have also been adapted to meet the changes which are being brought about by the almost incredible technological developments of the world in which we live.

On another occasion over a year ago, I stated that the exploration of space, whether by manned or unmanned instruments, has military potentialities as well as civilian benefits. the promotion and establishment of the rule of law now is necessary and outer space should belong to the world as a whole. Jurisdiction should be vested in the United Nations to assure that it will be used for scientific and peaceful purposes only. All nations, great or small, should have equal territorial rights, and the launching of all space missiles should be preceded by notification that the benefits accruing will be available to all mankind.

On May 6, the community of nations took another step forward into the space age. On that date there was convened at United Nations Headquarters in New York the Ad Hoc Committee on the Peaceful Uses of Outer Space. This Committee, of which Canada has been appointed a member, was established by the United Nations as the means for planning international co-operation in research in the space sciences and the exploration of space.

Manifestly the rewards of genuine international co-operation will be great. It is no less clear that the penalties of international rivalry will be grave.

In the absence of the Soviet Union from the United Nations conference table, I express also the Government's profound hope that the Soviet Union will at a later date enter into discussions on this matter within the United Nations. Apart perhaps from disarmament, there is no field in which universal co-operation of the major industrial nations is so important.

Canada, as a member of the United Nations Committee, will put forth every endeavour to ensure that a suitable basis for future international co-operation is developed.

Canada's Contribution

Because of Canada's geographical relationship to the magnetic pole, there are conditions of special interest in the upper atmosphere over this country which have been the subject of active research for many years. Canada can make a significant contribution. For the past 12 years there has been a major Canadian programme investigating the ionosphere, the aurora, meteors, cosmic and solar radiations and the geomagnetic fields.

Since the development of high altitude rockets and artificial earth satellites, the governmental scientific agencies have initiated an expanded programme of instrumentation and research. Canadian scientists have assisted in tracking satellites and have supplied information on their trajectories to the Soviet Union, as well as to the United States. A group of chemists at McGill University have co-operated with United States scientists in sending chemical materials up in rockets to investigate the composition of the upper atmosphere. To facilitate the tracking of high altitude vehicles at extreme ranges, a very powerful radar is being installed in Saskatchewan.

During the International Geophysical Year, which ran from mid-1957 to the end of 1958, Canada was host to the United States IGY rocket programme at Fort Churchill. Various Canadian agencies assisted the United States rocket team. As part of

the programme, two rockets carrying instruments prepared by the Canadian Armaments Research and Development Establishment were fired in November 1958.

Plans exist to fire during the present year additional United States rockets with instruments provided by Canadian agencies.

Meantime, a high altitude rocket of Canadian design is under development and it is likely to be a highly efficient research instrument. Further in the future in planning is the instrumentation of a satellite by Canadian agencies for experiments conceived by Canadian scientists, and preliminary arrangements have been made with the United States National Aeronautical and Space Administration to launch such a Canadian satellite in 1961.

Earlier this week, Prime Minister Macmillan sketched some of the intentions of the United Kingdom in the satellite field and referred to the possibility of joint action within the Commonwealth. So far as the Canadian Government is concerned, we should be glad to undertake the consultations on this question which Prime Minister Macmillan has proposed.

I have dwelt upon the activities of Canadian scientists, both in governmental agencies and in universities, at some length because it is not always recognized that we have in Canada the scientific knowledge, the facilities and the experience to participate in the exploration of space. A few years ago some of the recent experiments could not even be contemplated -- much less those which now are becoming possible. I believe that Canada should maintain its status as a scientifically advanced nation and continue a sound programme of research into the phenomena of outer space.

Space Research Committee

In this connection I wish to announce that the President of the National Research Council and the Chairman of the Defence Research Board are in process of establishing a Permanent Joint Committee on Space Research, on which other governmental agencies concerned with these matters and a number of interested universities will have representatives. One of the purposes of the Committee will be to ensure that university research teams have the opportunity to work in this field.

Science is increasingly becoming an important concern of governments. Some programmes, such as comprehensive atomic energy programmes, are too costly for university and industrial laboratories alone. As well, the dynamic interaction of science and technology requires governments to have sound scientific

advice so that they may plan wisely for future economic and industrial development. I have little doubt that the investment Canada has made in its atomic energy programme will be repaid many times over in the next few years. The returns on investments in space research are less easy to forecast.

These programmes are fantastically costly, and the annual expenditures in the United States on scientific research, technological development, instruments, guidance and tracking systems, fuels and a host of other intricate and specialized items of the space cost in the billions of dollars.

Benefits from Satellites

What are the potentially assured results? Perhaps the first practical benefit will be a great improvement in our knowledge of weather and the techniques of forecasting. There are indications that a fairly modest system of meteorological satellites would provide increased warning of major storms, which could annually diminish property damage by millions.

There are possibilities in the field of navigation also, especially all-weather navigation. Satellites may in time help to ease the growing problem of traffic in communications. We may even hope that by the use of space satellites, a solution may be found to the problems of international inspection under a disarmament agreement.

The scientists of the world are probing further into the secrets of nature. The engineers have provided them with the tools which enable studies of the cosmos to be made, which only a few years ago could have been no more than a dream. Not only will it shortly be possible to view the universe without the distortions caused by the earth's atmosphere; it already is possible to study the fundamental particles of the cosmic and solar radiations before they are affected by our atmosphere.

He would be a bold man who would venture to forecast which might be the practical applications of the extensions of fundamental knowledge which research into space is bringing. One thing, however, can be said and that is that interest in the phenomena of space is universal. It is unthinkable that knowledge of the cosmos should be concealed or exploited for narrow nationalistic reasons. We must strive, therefore, for the development of effective co-operation between governments and nations in the exploration of space. We have before us the inspiring tradition of the scientific fraternity which has consistently recognized that co-operation between the scientists of different nations is an imperative necessity.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/20

THE MANUFACTURING INDUSTRY IN CANADA

An address by Mr. Gordon Churchill, Minister of Trade and Commerce, at the eighty-eighth annual general meeting of the Canadian Manufacturers' Association, St. Andrews by-the-Sea, New Brunswick, on June 8, 1959.

... Your practice of holding your annual meetings from time to time in various parts of Canada is highly commendable. There is no better way of developing a broad national point of view, no better way of learning at first hand of the problems and the opportunities in our diverse areas. Your choice of the Atlantic region this year is particularly appropriate, for thereby you draw increased attention to an area that has recently been exhibiting an upsurge of industrial activity that promises well for the future. I hope that the establishment of new industries here will be one of the results of this convention and of your tour of the Atlantic provinces.

The Atlantic provinces have long been of economic importance for pulp and paper, fish processing, primary iron and steel, sawmills, railway rolling stock, petroleum products, sugar refining, shipbuilding, agriculture, and many other manufacturing and processing activities. According to the latest Dominion Bureau of Statistics' figures available, manufacturing establishments number about 3,400, employing over 65,000 persons with a payroll of about \$180 million dollars. Basic to the development of industry are fuel and power and in recent years the Atlantic provinces have been adding to their productive capacity by enlarging their means for the production of power. I am sure that this process will continue and that on the firm foundations already laid, the Maritimes will play their full part in the economic advance now proceeding throughout Canada as a whole.

During the 88 years of the existence of your association the manufacturing industry in Canada has grown tremendously. The motto of your convention, "Build Industry - Build Canada", is very appropriate for you have been builders of Canada. On the

government side, the national policy of Sir John A. Macdonald's day has been followed by successive governments irrespective of party, with the result that mid-way through the twentieth century we find ourselves one of the great industrial nations of the world.

Measured by income originating in manufacturing, Canada ranks sixth among the countries of the world, being surpassed only by the United States, the U.S.S.R., the United Kingdom, West Germany and France, all of which have populations greatly in excess of ours. Manufacturing contributes more to the Canadian economy than any other Canadian industry in terms of employment, income, export trade and capital investment.

Numbers Employed

According to the Dominion Bureau of Statistics, last year there were twice as many Canadians employed in manufacturing as in agriculture. Even more impressive is the figure which shows fifty per cent more people in manufacturing than in all the primary industries combined, that is, in agriculture, fishing and trapping, mining and quarrying and forestry operations. Many of those in the primary industries are dependent for their employment on the purchases of their goods and services by the manufacturers.

In 1958 the domestic manufacturing industry provided jobs for one-quarter of Canada's workers, contributed about 28 per cent to the nation's gross domestic product, accounted for almost two-thirds of the country's commodity exports and was responsible for about one-eighth of the nation's total expenditures on new capital facilities.

Problems of Industry

However, the Canadian manufacturing industry has not achieved its present eminent position in our economy without encountering difficulties. In the main these problems appear to be rising costs of production, increased foreign competition at home and abroad, the need for larger markets and the lack of adequate financing for export sales.

There is a belief in some quarters that rising costs are pricing Canadian manufactured goods out of world markets. This may be true in some particular fields but is not true as a generality; our export trade, which achieved a record in 1957, was maintained at practically the same dollar level in 1958 and with a slight increase in volume. For the first four months of 1959 our exports have approached the figures of the preceding year, and with the renewed tempo of activity are likely to establish a new record by the year's end. Fully manufactured and partially manufactured articles which account for about 67 per cent of our export trade are continuing to maintain their position.

I notice that your programme has provided for a discussion of this problem of costs and that your Association recognizes that there can be no sharp division between the management side and the labour side in this matter. There should be a clear understanding that our fortunes hinge upon keeping our economy competitive for, with one out of every five Canadians dependent for livelihood on our export trade, we are all concerned.

In foreign markets, opportunities open to Canadian manufacturers have been limited during the entire postwar period by a variety of factors beyond the control of our exporters. Continuing exchange difficulties have required foreign countries to restrict the import of dollar goods in an effort to conserve their exchange holdings and to protect the value of their currencies. Other factors that have placed Canadians at a disadvantage in world trade have been the arrangements by various nations of barter deals by state-trading agencies, more liberal export financing facilities, the extensive use of subsidies for exports, along with lower labour rates and increased manufacturing activity.

Foreign competition has been felt not only in the export field. The home market has also been affected. New modern plants built since the war, the use of the latest techniques resulting from intensive research, lower labour rates and large volume runs have enabled manufacturers in West Germany, the United Kingdom, The Netherlands and Japan to invade successfully the domestic markets of both Canada and the United States. This challenge of foreign competition has been met by a response by Canadian industry and government.

The Canadian manufacturing industry has a well-merited reputation for being far sighted in its outlook. In addition to the creation of new capacity, plants have been improved, new equipment - much of it automatic - has been introduced and research has received increasing emphasis. These activities have caused a significant rise in productivity with a corresponding fall in unit costs of production. Very heavy capital expenditures over the last decade have equipped the Canadian manufacturing industry to compete effectively in world markets. That expenditure is estimated to have been \$10 billion, half of which has been spent in the last four years. Heavy electrical machinery and equipment is being sold abroad in substantial quantities and our trade continues to reach well over one hundred foreign countries.

Export Trade

The evidence is to be seen in the volume and the nature of our export trade. In 1958 fully or partially manufactured articles were sold abroad to the amount of \$3.2 billion. Recent sales of Canadian transport aircraft to the United States indicate success in that highly competitive field.

The present Government has not been inactive in its desire to protect our manufacturing industry against unfair foreign trading practices and to promote the diversification of Canadian manufacturing as well as to assist our export trade. After careful consideration and full consultation with business and industry, the Canadian Government is proposing to provide new facilities which should enable Canadian exporters to compete on even terms with exporters from other countries, where they are competitive in other respects. The new powers proposed for the Export Credits Insurance Corporation are not as far reaching as some of the interested parties suggested, but they are considered appropriate to conditions in Canada at this time. Briefly, the proposal now before Parliament will amend the Export Credits Insurance Act to enable the Corporation, when authorized by the Governor-in-Council, to provide direct guarantees to lenders on approved export transactions. The amendment will also authorize the Corporation to buy, sell, and make loans on guaranteed export paper.

Home Market

In so far as the home market is concerned, the Government has passed anti-dumping legislation designed to defend Canadian producers against certain foreign trade practices. The legislation provides that the value of imported goods for duty purposes shall not be less than the cost of production plus a reasonable allowance for selling cost and profit.

The home market is vital for our manufacturers. It has always been and will remain the most important for our industry. In 1958 manufactured goods purchased in Canada amounted in value to over 22 billion dollars. Of this total, Canadian manufacturers supplied 81 per cent. The ability to supply such a large proportion of our domestic needs is of particular importance since the Canadian market is expanding more rapidly than that of any other industrialized country. By 1975 our population may reach 24 million and our gross national product is expected to exceed 53 billion dollars. In fifteen years the domestic market for Canadian manufactured articles will have almost doubled in volume and in value.

In January I mentioned investment intentions of Canadian manufacturers and said at that time that these estimates which were based on a survey during the fall of 1958 were likely to be revised upward this year. This is proving to be correct. In response to better business conditions in Canada and abroad, a new feeling of confidence is surging through the Canadian economy. Once again the tempo of new plant construction and the installation of new equipment is rising.

The diversification of Canadian manufacturing is another field in which both industry and government have a part to play. Part of the emphasis that our department is placing

on investment in Canada is toward the development of manufacturing of lines not now produced in our country. Our imports of fully-manufactured articles exceed our exports by hundreds of millions of dollars annually. This is a fertile field for business enterprise and for national growth.

Foreign investors are looking with increased interest to Canada. Information reaching me from our field men abroad and from foreign visitors indicates a keen awareness of the opportunities for successful investment, not only in established industries in Canada, but in new enterprises. The government will continue to stimulate the broadening of our industrial base.

Government policy has been directed along several lines - the shielding of the domestic market against disastrous dumping practices, the sponsoring of trade missions abroad, the promotion of Commonwealth economic conference, the steady development of our export trade by the maintenance of an active trade commissioner service in 45 foreign countries, the closest co-operation and consultation with our largest trading partner, the United States. These are the measures and the policy whose effect is evident in the maintenance of Canada's position as the fourth largest trading nation in the world. That position can be strengthened by continued effort and by close co-operation between government and business. The objective for both is the same - the development of Canada.

Future Prospects

The prospects for Canadian manufacturing in the future appear to be bright. One year ago the Prime Minister addressed your annual meeting. He mentioned the period of economic adjustment through which we were passing. He drew attention to the sharp economic set-back in the United States. He pointed out the adverse effects on Canada as a major world supplier of minerals and forest products. But he indicated his optimism based on the traditional enterprise of Canadian businessmen as a stabilizing factor and on the government measures aimed at stimulating the economy. His optimism of a year ago was fully justified. We are now viewing steadily rising economic activity in Canada, in the United States and throughout the world. We have seen our export trade make a good recovery during the last few months, with a prospect now of establishing a record for the year. We are observing signs of increasing activity every month on the domestic scene.

We are a nation of pioneers. We have moved in the last two hundred years from a small population engaged in fur-trading, fishing, lumbering and farming to a position of importance as a world trader and an industrial nation destined to greatness. The pioneer of the canoe and the oxcart has been replaced in the 20th century by the pioneer of industry. The

scientists who have unlocked the treasures of the earth, the engineers who have constructed the roads and the seaways and the great buildings have prepared the way for the industrial pioneers who are transforming Canada from the position of a primary producer to that of a leader of industry.

Each in his own way is a nation builder, whether he be farmer or fisherman, miner or lumberman, construction or transportation worker, factory or office employee, salesman or manager. Your association yields place to none other in the contribution you are making to Canadian life. Your vision, your enterprise, your courage are part and parcel of the enduring pioneering heritage that has passed down from generation to generation of Canadians. In your hands in large measure lies Canada's future. May continuing success attend your efforts in nation building.

S/A

GOVERNMENT



OF CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 59/21 CANADA'S PROGRAMME FOR RADIATION PROTECTION

An address by Mr. J. Waldo Monteith, Minister of National Health and Welfare, at the Jubilee Meeting of the Canadian Public Health Association, Montreal, Quebec, on June 1, 1959.

At the outset, I want to thank you for inviting me here today. This is my first opportunity of meeting the Canadian Public Health Association as a body, and I am delighted that it has coincided with one of the important milestones in your history.

Permettez-moi aussi d'adresser quelques mots d'appréciation à la Société d'hygiène et de médecine préventive de la province de Québec qui s'est chargée de l'organisation et du programme.

The lifetime of the Canadian Public Health Association has spanned an impressive era in the nation's health progress. From the advent of pasteurization to the impact of the Salk vaccine it has witnessed developments which have brought Canadians to the threshold of a new age of freedom from sickness and disease. Indeed, never before in human experience has so much headway been made in so brief a period.

The Association, itself, has played a leading role in this great forward movement. Through such educational media as its distinguished Journal, it has channeled information to public health workers across the country in a continuing effort to keep them abreast of advances in public health and preventive medicine. As the senior professional agency in the field, it has also constituted the "right hand" of governments in supporting various public health measures. In these and other ways, the Association has achieved an enviable record of service to the people of Canada -- a record which can stand as a worthy inspiration for the second half-century on which it is now about to enter.

My topic today is "Canada's Programme of Radiation Protection". I chose this topic for two reasons. In the first place, I am aware that considerable publicity has been given to such matters as radioactive fallout from nuclear tests and the medical use of X-rays. I am aware, moreover, that this publicity has created confusion and anxiety in the minds of many Canadians. As Minister of National Health and Welfare, I naturally feel a responsibility to do what I can to clarify the situation.

Secondly, I have chosen this topic because of the nature of this audience. You are the nation's leaders in public health, and radiation protection is -- in the view of the Dominion Government -- largely a public health matter. Indeed, I understand that Canada was one of the first countries to so regard it. It was in 1949 that my Department was assigned responsibility for advising the Atomic Energy Control Board on the health aspects of the use of atomic energy and its by-products.

In discussing this topic, I am also anxious to obtain your co-operation in disseminating the facts, in proper perspective, to all Canadians. To my mind, it is of vital importance that our people have a sound and realistic understanding of the problems involved.

Radiation Protection Division

Because this is a complex matter, requiring highly trained staff and special equipment, my Department has established a separate unit within our Health Branch to deal with it. Called the Radiation Protection Division, this unit has three closely related functions -- administration, physical measurements and clinical studies.

From our point of view, the central question is, of course: "What is likely to be the effect on health of exposure to radiation?" This means that in the final analysis our chief interest must be with clinical studies. The other two parts of our programme -- administration and physical measurements -- are, however, essential adjuncts, and their development must necessarily precede that of clinical studies.

Before going into the details of the programme, I might indicate briefly how it has come into being. I have already mentioned the Department's entry in the field in 1949. It was at that time also that plans were made for developing a method of measuring occupational radiation exposures on a country-wide basis. Later we assumed responsibility for the medical use of radioisotopes. In this regard, we have been assisted by an advisory committee composed of leading physicians and physicists.

With the increased size and frequency of nuclear weapons testing in 1954, it became apparent that radioactive fallout would constitute a new source of radiation exposure, and one, moreover, that would affect the whole population rather than only a part, as in the case of radioisotopes. This realization led to a study not only of fallout but also of other sources of radiation exposure affecting the whole population such as the medical use of X-rays and radiation from natural sources. More recently, our activities have been extended to meet problems associated with the building of nuclear reactors for power production.

Underlying these various developments, of course, has been our concern for the possible effects of radiation exposure on both exposed individuals and on future generations. Study programmes in these areas are under way or planned.

So much for the historical background. Let me turn now to a closer examination of the programme itself.

Administrative Activities

On the administration side, we have the task of acting as health advisers to the Atomic Energy Control Board. This includes providing advice not only on the use of radioisotopes but also with respect to nuclear reactors. A representative of the Department serves on the Board's Reactor Safety Advisory Committee which studies proposals for the construction and operation of these facilities.

In addition, we work in a more familiar area. Over the years, radiologists and other X-ray workers across the country have consulted with us in the matter of protective measures. This has been purely voluntary on their part and has led us to develop quite an extensive programme concerned with X-rays.

In carrying out these administrative activities, we have established close working relationships with many outside groups. These include other federal agencies, various professional associations, universities, and provincial as well as local Departments of Health. On the world scene, our officials serve on such bodies as the United Nations Scientific Committee on the Effects of Atomic Radiation and the International Commission on Radiological Protection.

The latter, I might add, is an independent professional organization set up in 1928 to deal with the health hazards of X-rays. It later enlarged its scope to include radioisotopes. It consists of world experts elected on the basis of recognized ability. The recommendations of the Commission are used by the Department in its radiation protection activities.

Physical Measurements

The second part of our programme has to do with "physical measurements". Here, we are concerned with three functions:

- assessment of radiation exposure of occupational groups;
- assessment of radiation exposure of the whole population;
- certain special projects.

The assessment of radiation exposure of occupational groups is carried out by several methods. For example, the Department conducts a central film monitoring service for isotope and X-ray workers. Dental-sized films are issued every two weeks and returned to us for processing and interpretation. Any over-exposure is immediately reported to the laboratory involved. This service is now offered to some 8,500 Canadians for whom individual punch-card exposure records are maintained.

As a follow-up, an extensive field inspection and survey programme provides information on the "housekeeping habits" of isotope workers. These surveys, in conjunction with the monitoring film records, will serve as the basis for further examination of particular individuals. To this end, we are actively planning the construction of a facility for measuring the amount of radiation in the human body.

To be known as a total body monitor, this facility will fit into our programme in this way: suppose a field survey indicates that a laboratory is badly contaminated and that there is a strong likelihood workers have ingested radioactivity. In that event, these workers can be brought to the monitoring unit and measurements made to determine whether or not the amount of radioactivity in their bodies is in excess of the permissible level recommended by the International Commission on Radiological Protection.

A variety of methods are also employed in assessing the radiation exposure of the whole population. For one thing, a study is being made of the radiation exposure to reproductive tissues arising from the medical use of X-rays. This is a joint undertaking between the Department and the National Research Council. Another project concerns the measurement of radioactive fallout. This, as I have said, dates back to 1954.

At that time, our appraisal of the situation led us to the conclusion that strontium-90 was one of the components of fallout most likely to be of concern from the health viewpoint.

Accordingly, our efforts were directed to the measurement of this radioactive element. Because strontium-90 is chemically similar to calcium, it was expected that it would enter the body in much the same way as calcium. Nutritional figures show that the main source of calcium in the average Canadian diet is dairy products. For this reason, and because of its ready availability, milk was chosen as the initial medium for measurement.

As you may know, cesium-137 -- another component of fallout -- is also of concern from the health viewpoint. Whereas strontium-90 is related to possible effects on exposed persons, cesium-137 is related to possible effects on future generations. While our programme to date has concentrated on the measurement of strontium-90, we are actively planning the development of suitable methods for adding cesium-137 determinations to our current studies.

In addition, we are engaged in setting up a nation-wide network for sampling air, rainfall and soil. The air sampling programme, which will be carried out on a daily twenty-four hour basis, will give us a measurement of the fallout concentration in air at ground level. Monthly rainfall samples will be analyzed for strontium-90 and cesium-137. This will provide information about the rate of fallout and will enable us to estimate the reproductive tissue dose from fallout for the whole population. Annual soil samples will be analyzed for strontium-90 and cesium-137, and these results will be used as a cross-check on the rainfall data as well as to further our understanding of the up-take of fallout by various plants.

A complete picture of environmental radiation exposure requires that we also make measurements of the radiation levels from natural sources. By natural sources is meant cosmic rays, radioactivity in the soil and building materials, and radioactivity normally present in the body. Taken together, these natural sources form a background or baseline of radiation to which mankind has always been exposed. To obtain a proper perspective, exposures from other sources must be compared with this baseline.

Such comparisons have been made. For example, the recent Report of the United Nations Scientific Committee on the Effects of Atomic Radiation contains the following estimated "genetically significant" doses computed from world-wide averages on the basis of a thirty-year period:

- from natural sources: a projected dose of 3 rem;
- from man-made sources other than fallout: a projected dose of between .5 and 5 rem;
- from radioactive fallout: a projected dose of .01 rem.

The Report also contains similar values with regard to "somatic" or body dose -- in terms of what is called "estimated mean marrow dose". From these, it is evident that the dose contributions from the various sources are in roughly the same proportion whether one considers the "genetic" dose or the "somatic" dose. Data of this kind support the view I expressed recently in Parliament to the effect that radioactive fallout contributes only a small part of the total radiation exposure at the present time.

I again make this statement so as to place radioactive exposure caused by fallout in its proper perspective. We are not trying to ignore or minimize the situation -- as some might appear to believe. The emphasis that is placed on fallout studies in the Department's programme is ample proof that we are not ignoring it. Furthermore, our interpretation of the facts is based on the best scientific advice that we can obtain, and I might say that we are able to obtain the views of the best scientists in Canada and in other countries.

The final section of our measurements programme is "special projects". These will include facilities for coping with accidents which might involve high radiation exposures or widespread dispersion of radioactivity. The same facilities will also be available for testing industrial and commercial radiation sources to ensure that they meet acceptable safety standards.

Clinical Studies

You will recall that at the outset I indicated three broad divisions in our radiation protection programme -- administration, physical measurements and clinical studies. I have dealt with the first and second of these and would now like to say something about the third -- clinical studies.

As I mentioned, this is of chief interest to us since it involves the effects of radiation on humans. I would add that it is also the area containing the most uncertainties as we lack adequate knowledge about the fundamental biological effects of the irradiation of man. This is particularly so in the case of chronic, low-level radiation exposure.

It is because of these uncertainties that the matter of maximum permissible exposure to radiation has been approached with great caution. Here, I think it should be noted that those who are concerned with developing guidelines in this area are highly experienced persons who are actively engaged in radiation protection work. They have access to the most up-to-date, fundamental biological knowledge of the effects of irradiation on man. They are fully aware of the uncertainties and have allowed for them in their recommendations. That is

why we believe it is meaningful to use these recommendations as the basis for assessing the significance of levels of radiation exposure. That is why we believe that Canadians should be reassured by the fact that our findings indicate that strontium-90 levels are well below what these recommendations suggest as permissible for the whole population.

This in no way removes the necessity for continuing scientific research into the possible effects of chronic, low-level radiation exposure. In the words of the Report of the United Nations Scientific Committee on the Effects of Atomic Radiation:

"Present knowledge concerning long-term effects and their correlation with the amounts of radiation received does not permit us to evaluate with any precision the possible consequence to man of exposure to low radiation levels.... Such a situation requires that mankind proceed with great caution in view of a possible under-estimation. At the same time, the possibility cannot be excluded that our present estimates exaggerate the hazards of chronic exposure to low levels of radiation. Only further intensive research can establish the true position."

Research, then, is the only path to certainty in this as in other health fields. And research will take time.

Meanwhile, we must continue and expand our present programmes. Above all, we must keep a sense of perspective on this matter. The facts do not warrant either panic or complacency. As far as the Department is concerned, we intend to keep firmly abreast of all new developments and to work closely with others, to the end that everything possible will be done to ensure the health of Canadians. Such an undertaking, I would suggest, deserves the strong support of this Association and all its members.

S/A



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/22

CANADA - U.S. DEFENCE CO-OPERATION

An address by the Prime Minister of Canada, Mr. J.G. Diefenbaker, at the Commencement Exercises of Michigan State University, East Lansing, Michigan, on June 7, 1959.

... As I listened to those warm words of introduction, sir, I was particularly touched by the fact that they come from one whose contribution to the building of strong Canadian-American relations is recognized in every part of our country. We are appreciative of your contribution to the cause of international co-operation. You mentioned something of my interest in external affairs, and naturally when an opportunity such as this arises, you would expect me to say something in regard to our relations, going back over the years to those dark months in the summer of 1940 when the President of the United States and the Prime Minister of Canada joined together in the Ogdensburg Declaration which established the Canadian-United States Joint Board on Defence. You, sir, have occupied a position on this Board since 1954 that has earned for you the appreciation and friendship of the people of Canada. In the discharge of your responsibilities you have made your contribution to the achievement of that peace so eloquently set forth in the invocation made here today.

We entered into that agreement. Yesterday, I was in the city of Prince Albert in northern Saskatchewan, and witnessed there an example of American-Canadian co-operation in the inauguration of a radar laboratory similar in kind and nature to the Lincoln Laboratory in Boston, Mass. When this joint Board was first formed, there were many who said that it would not last in the days of peace. They felt that, after all, it was merely a stopgap. They have been proven wrong in the intervening years, as we meet that challenge to which you referred, that is ever present in the hearts and souls of all of us.

John Foster Dulles

As this is the first occasion on which I have visited the United States since the death of John Foster Dulles, may I say this, on behalf of the Canadian people: we believe that in him we lost one who had been a friend to us and with us in the

darkest days, and in him the world lost at a critical time a great and a steadfast personality, ever vigilant in the defence of freedom.

And it is of that defence that I am going to speak today. Canada is the one country on the globe which lies between the United States of America on the one hand, and the Union of Soviet Socialist Republics on the other hand. What could be more deeply moving today than that this vast assembly should sing your national anthem and God Save the Queen, united as we have been in the darkest days of war? Today we are united at a time when it is so necessary that unity be maintained, realizing as we do something of the danger and the potential danger ahead.

That is one thing which we do not have to establish. The free world knows that there is fear in the hearts of men. We in Canada are a contiguous neighbour of these two countries, the United States and the U.S.S.R. We do not look to the south when we think of threats to peace.

We are joined together, endeavouring to achieve peace through the instrumentality of peaceful negotiations, realizing as rational human beings that we cannot accept as inevitable the thought of a world laid waste by nuclear warfare. On the other hand, we cannot deny that possibility. Contemplate it we must; accept it we cannot. One of the great things about our two nations is this: we realize this fact, as do the nations of the free world both in the Commonwealth and outside, that we must maintain sufficient military strength to deter any aggressor, while at the same time, through the medium of diplomacy, we must endeavour to establish, step by step, the necessary foundation of international confidence.

Mutual Need

We have been able to do that. You mentioned, Mr. President, unity. We are joined together to share in co-operation the burden of defence on the North American continent through NORAD. We are joined within the framework of the larger North Atlantic Treaty Organization. We are joined because for the first time in history each is exposed to the possibility of crippling attack.

Canada by herself cannot provide adequate defence in a modern war. Each is needed by the other. Indeed, the United States of America, strong and powerful and carrying a mandate to all parts of the world, the hope of freedom to mankind, cannot on the North American continent defend itself effectively without Canadian co-operation and without defence facilities on Canadian territory. These are basic factors.

But there is more than that to our unity. There is the fact that our close relationship geographically, socially, and ideologically, makes it natural that we should join together,

for each of us has the common heritage of freedom, and the common aspiration for peace.

What I am going to do in the very few minutes that I have in which to speak to you is to tell you something of what we have in mind in our country. We look forward to the days ahead, to the attainment of that destiny to which you referred, sir. We believe that it is necessary for us in the fulfilment of our destiny to maintain and assert our sovereignty. We believe that can best be assured by co-operative arrangements which are designed to attain, first, survival, while at the same time, maintaining non-jeopardy of our political and economic destiny.

In other words, we are united with the United States in a realization that only in the maintenance of our unity is there the assurance of our survival. We are united, too, because we realize that the fantastic cost of modern weapons of war would impel us to be united in any event. Canada with its relatively small population could not afford the whole panoply of modern war.

Defence Production

We are united in air defence. We are united in a common idealism. We are united in a common geography. We are united in an integrated defence. Through our own volition, we have joined together to maintain those things which are of the essence in our respective countries. I feel this, and I say this in all sincerity, that it is essential that there be an equitable sharing of costs in the tasks of defence production, in the same manner as we share our co-operative defence measures.

I take the words of the former Prime Minister of Canada and the words of the former President of the United States in the Hyde Park Declaration, and I apply them to the situation today. In general, in mobilizing the resources of this continent, each country should provide the other with the defence articles it is best able to produce, and above all produce quickly, so that production programmes shall be co-ordinated to that end.

We continued that in 1950. The Government of the United States and the Government of Canada today are striving in that co-operation to make those agreements of 1941 and 1950 effective in practice. Significant progress has already been attained.

Recent changes by the United States in procurement arrangements made possible a greater opportunity for us in Canada to share in production of military equipment required by the armed forces of the United States. It was an encouraging development, and when implemented in greater measure will contribute to the better functioning of the defence partnership.

There must be unity in defence, unity also in defence procurement, and a new realization of the basis of our economic and commercial relations. Only by the maintenance of the strength of each of the various countries in the free world can we hope to maintain that certainty as to the future which after all is the reason that we are joined together in NATO, in NORAD, and in these other organizations.

Here I have an opportunity to say to the people of the United States something that more than anything else has had an effect on our thinking in Canada. We express our concern and our disapproval. We disagree in vigorous terms. It is equally true that the Government of the United States, going about its proper task of promoting American interests, does so with equal vigour. But whatever the vigour of the representations, it is matched by the determination of each of us to find solutions to our problems. Recently, an action was taken by the Government of the United States to remove the embargo on oil that had existed since July of 1957. That decision met with universal approval and appreciation in Canada. It was an example of that mutual forbearance, that understanding which is so needed to assure good will and co-operation.

Canada's Position

What of the future? Well, I have read some of the commentators recently, Mr. President. They have raised some unfounded misgivings concerning the position of Canada and the discharge of its international responsibilities. Let this be clear. There is not and has not been any neutralism in Canada's thinking or conduct. There is no weakening in our support for NATO. We believe that the member nations of NATO must remain strong in defence, and economically strong, ever watchful for progress that can lead to ultimate settlement of our difficulties and differences with the Soviets. That is the attitude of my country. That is the stand of our people. That is the attitude that I believe is inherent in the potentialities that are ours, as we look ahead into the future, sometimes most darkening.

Some weeks ago we had a visit from the military leader of the NATO forces, General Norstad. We heard him with pride speak of our Canadian soldiers and airmen serving under his command in Europe. This gives me the opportunity to say that Canada intends to maintain her forces there, so long as they are needed.

We make our respective contributions together. Together we realize that only in unity can there be survival.

To you, the new graduates today, I am not going to give advice, although if there is one who should be qualified to do so, it is a Prime Minister, because he gets advice on every subject under the sun. I give you no advice today.

I salute you, graduating at a time more challenging than ever before in history. I say to you this: whatever your field of endeavour may be, may you never cease to be participants, rather than spectators, in the world scene. May your motto be that ascribed to Lord Morley when it was said of him, he wasn't always right; he was sometimes on the wrong side, but he was never on the side of wrong.

I bring you the message that I received when in India a few months ago, a message that represents to me something of the embodiment of those things that are of the essence of freedom. It's the message to be found on the doorway of the Viceroy's home in India, today the home of the President. It says this: what should we do so that our country may become great. It asks those who read it to practice these particular qualities: in thought, faith; in words, wisdom; in deed, dedication; in life, service.

I say to you, sir, today, that needs to be the message too of the free world. Leaders must not waver in their understanding of the threat that faces freedom. We must not waver in the necessity of preserving unity in purpose and in defence. I am among those who believe that the price of freedom is co-operation; the prize of co-operation is freedom. What the free world nations stand to lose by failure to co-operate is freedom itself.

One hundred years ago, your forefathers recognized the principle that a house divided against itself cannot stand. That principle is as vital today in the world of freedom as it was in your nation in Lincoln's day and since.

Canada and the United States must stand together, stand in co-operation, in defence, in defense production, and in economic co-operation. I believe that they will, and that in the years ahead, generations yet unborn will look back and say of us that our fathers builded for us a world of peace and prosperity. In that day, co-operation was the price of peril; freedom was the prize. Thanks be to them, they builded better than they knew.

Mr. President, Ladies and Gentlemen, I have been deeply moved by this opportunity to speak and this privilege and this honour, and I say to you in conclusion, we in Canada realize the necessity of the maintenance of that spirit which is so characteristic of the welcome that I have received here in Michigan, first, from the President of this institution, secondly, in a telegram from the Governor of the State, and even beyond those things, that friendliness, that warm-heartedness, that generosity which has been accorded me this afternoon as I have met so many of the faculty.

All I can say is that in the years ahead I shall look back on this occasion. In this place made famous -- not every year, but in some years -- by your outstanding football team, I shall look back on this place and say it was worthwhile being here. Once again I shall feel that spirit, that dedication that is so apparent. To these graduates, to whom my congratulations and best wishes go to each, I say: may they be the architects of the future, for the preservation of that peace which is the dedication of our lives.

S/C

GOVERNMENT



OF CANADA

STATEMENTS AND SPEECHES

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CANADA'S FOREIGN POLICY

A speech by Mr. Howard Green, Secretary of State for External Affairs, on July 9, 1959, in the House of Commons.

The first subject I plan to discuss is the Geneva Conference. I am aware that Canadians have been following with close attention the course of the Foreign Ministers' discussions in Geneva. As hon. members know, the Foreign Ministers' Conference adjourned on June 20 and will resume its sittings next Monday, July 13. It is disappointing that no agreement was reached during the six weeks of negotiations, but at the same time one should not underrate the benefits of the discussions which took place. The attitudes of both sides have been clarified, and there are some common elements in the proposals advanced on the Berlin issue which might possibly lead to progress.

This has been a period of re-examination for the West, both with respect to the attitude to be adopted in further discussions and with respect to the question as to whether the present discussions might usefully lead to a summit meeting. The United Kingdom, the United States and France, and the Western negotiating powers, together with the Federal Republic of Germany, are examining the records of the discussion and are consulting to determine how best to proceed in the hope of making some progress. In addition--and this is important to Canada--to participation in consultations with the negotiating powers which are taking place in the NATO Council, in which consultations, of course, Canada is at all times represented, the Canadian Government will shortly have the opportunity of discussing these matters with the United States Secretary of State, Mr. Christian Herter. As I announced in the House yesterday, Mr. Herter will be here on Saturday.

It is to be hoped that during the period of recess of the Foreign Ministers' Conference the Soviet leaders will come to realize that nothing is to be gained by an attitude of challenge and impatience. If progress is to be made it will be necessary for the East-West talks to be conducted in an atmosphere free of implied threats or peremptory demands.

As hon. members are aware, the Canadian Government has consistently supported proposals for negotiation with the Soviet Union on the question of Berlin, and on other issues. Since, in this thermonuclear age, war is unthinkable, there is no alternative to negotiation for the solution of these problems. In our view negotiation implies a preparedness on both sides to do more than exchange views across the conference table. Each side must go some way to meet the basic interests of the other. If it is possible to arrive at some settlement on the Berlin question, the way should be opened for the solution of broader problems.

For these reasons we have watched with satisfaction the patient and determined efforts of the three Western negotiating powers at Geneva to find some basis for reaching agreement. We commend the willingness shown by the Western powers to make modifications concerning the terms of their presence in Berlin, which take account of expressed Soviet concerns. At the same time we support the principle, on which the Western powers have been united, that no agreement would be acceptable which placed in jeopardy the security of Berlin or the freedom of its citizens, or which could have the effect of foreclosing the prospect of the reunification of Germany. Unfortunately, circumstances do not seem propitious for great or sudden progress on the basic problem of reunification. This should not, however, preclude us from attempting to create an atmosphere in which reunification can more easily be brought about.

Where the resumed Foreign Ministers' Conference will lead us cannot now be predicted. The Canadian Government has held to the view that progress toward settlement of some international issues might be achieved by discussions amongst heads of government, in other words at a summit conference. It is the hope of the Canadian Government that such a meeting can be arranged. Then there may prove to be subjects other than those relating to Germany and Berlin--I mention the suspension of nuclear tests and the peaceful use of outer space as examples--on which progress could be made by high level discussions. At this stage, I think as few pre-conditions and prior stipulations as possible should be placed in the way of a summit meeting. For example, there have been signs of some difference of opinion on the question of who should participate in a summit conference, and there are indications of a trend to increase participation. In the judgment of the Canadian Government this is not likely to be a helpful development.

The suicidal prospect of global war must be apparent to all nations, and the need of finding some alternative for the settlement of differences must recommend itself to all statesmen. For a middle power such as Canada, with brilliant prospects of development, the international tensions which keep alive the threat of a nuclear holocaust are in themselves

especially significant. The speed with which our hopes and prospects can be realized, however, will depend to an important degree upon the international atmosphere. We must work, within the Western alliance of which we are a member, toward a reduction of tension if we are to be free to devote a greater part of our national talents and energies to constructive Canadian development.

NATO

Through NATO Canada is able to work intimately with the United Kingdom, the United States and the 12 European member states in the formulation of policies and attitudes which are designed to facilitate progress toward a settlement of some of the highly complicated issues dividing East and West.

Today NATO takes stock of the past decade and the plans for the years ahead. Nothing that can be seen on the horizon suggests or permits the luxury of a slackening in the preparedness of free nations. The need for vigilance and unity is as imperative now as at any time during the past decade. It is imperative not only for reasons of our security but also in the context of our never ending search through diplomacy for peaceful solutions to the problems dividing the world today.

The presence of Canadian forces alongside their friends from the United Kingdom, the United States and Europe is both an earnest of Canadian intentions and an important cause of the respect accorded Canada in the daily conduct of international affairs. I might mention, in connection with the stationing of Canadian forces in Germany, that the negotiations concerning supplementary arrangements governing their status in that country have recently been concluded, and that signature is expected to take place next month. I regret that as the House will, I hope, have risen by that time, it will not be possible to table the documents, but this will be done early in the next session of Parliament.

Even though the initial emphasis in NATO was on military requirements, the members of the Alliance have recognized the fundamental community of interests and aspirations shared by all parties to the treaty, and have fostered through the years the development of an Atlantic Community of like-minded nations and peoples. Today, when the threat to the free world is not only military but economic, political and psychological, Canada is playing its part in stressing the need for consultations between member governments in the development of both the military and non-military aspects of the Alliance. Support for NATO remains an essential cornerstone of Canada's foreign policy.

The Commonwealth

It is natural enough that with Her Majesty, by happy circumstance, in Canada when this debate takes place, the Commonwealth and Canada's place in it should be foremost in our minds at this time. I recall with satisfaction the useful exchanges of views which have taken place here in Ottawa in recent months with a number of Commonwealth leaders. In March we had the pleasure of welcoming the United Kingdom Prime Minister, Mr. Macmillan, and Foreign Secretary Selwyn Lloyd, and I would like to take this opportunity of paying tribute to the important part they have since played in preserving the unity of approach of the Western powers in the difficult negotiations that have been carried on at Geneva. We have, in addition, had the privilege of welcoming here the Prime Minister of Australia and Cabinet Ministers or other distinguished representatives of India, The West Indies Federation, Pakistan and, only last month, Nigeria.

One has only to recite the far-flung territories from which these visitors came to be reminded of the vast compass of this friendly association of nations which continues to exercise a beneficent influence on the affairs of all mankind. It is an association, moreover, which is never static but constantly expanding and evolving as former dependent territories take their place in orderly progress as free and independent members of the Commonwealth. As a member of the Commonwealth we are justly proud of its record in facilitating the constitutional development of its members. For example, very recently we had the opportunity of welcoming a further step in this direction and yet another member, Singapore.

Similar developments are taking place today in another most important area of the world, Africa. In the welter of news reports about problems and stresses in various parts of that continent I am afraid there has been a tendency to overlook a significant and happy Commonwealth event in Africa. I am referring, of course, to the fact that recently powers of self-government passed to the populous northern region of the Federation of Nigeria, thus completing the international political evolution which is to culminate on October 1, 1960, when the large and important nation of Nigeria is scheduled to obtain independence.

I am happy to say that both the Prime Minister of the Federation and the premiers of the regions have expressed the intention to remain in the Commonwealth. I am sure all hon. members will wish to join with me in expressing to the Nigerian leaders and to the United Kingdom Government congratulations for their respective parts in this welcome event. The Canadian Government hopes to be in a position to establish suitable diplomatic representation in Nigeria and to take similar action with respect to the Federation of Rhodesia and Nyasaland as soon as circumstances permit.

Colombo Plan

It will be appropriate, I think, if I say a word or two here about the assistance which Canada has been giving in recent months to the less-developed countries under the various programmes which have been established for this purpose, especially since most of Canada's assistance has gone to our partners in the Commonwealth family. I refer, of course, to the Colombo Plan. If the Commonwealth association is to continue to have the meaning it now has, it is important that the less-developed countries of the Commonwealth should continue to be able to count on the active sympathy and support to those of us who are in a more fortunate position.

Since my predecessor last reviewed the position, we have been able to carry to a successful conclusion our discussions with Pakistan and Ceylon with respect to their share of the Colombo Plan appropriation voted by Parliament for the fiscal year 1958-59. As a result of these discussions we have now agreed that \$13 million in the form of Canadian commodities and equipment will be made available to Pakistan and \$2 million to Ceylon.

Under the Pakistan programme we have agreed to provide a further \$2 million worth of wheat in addition to the \$2 million of which the House was informed last November. The amount of \$2,800,000 will be devoted to the provision of industrial metals which are urgently required for the industrial sector of the economy to help maintain reasonable levels of industrial activity and employment. Some \$650,000 will be made available in the form of wood pulp which is required for a new newsprint mill being constructed by a Canadian engineering firm. Then \$120,000 will be provided for the purchase of pesticide spraying equipment and \$200,000 for the purchase of three Beaver aircraft to help with the eradication of crop pests. The sum of \$500,000 has been set aside to provide spare parts and to finance the cost of overhauling the equipment which has been used in the construction of the Warsak Dam, and which will be turned over to the Government of Pakistan as and when it ceases to be required on the project. An amount of \$1,100,000 has been allocated to the construction of a transmission line from Karnaphuli to the port of Chittagong in East Pakistan. The balance of \$3,630,000 available from the \$13 million set aside for Pakistan is being allocated tentatively to two new projects, one in the construction field and the other aimed at creating additional electrical generating capacity in Pakistan.

Turning to the Canadian aid programme in Ceylon, the Government has approved an allocation of \$710,000 to finance the continuation of the aerial photographic and resources survey which a Canadian firm has been carrying out in Ceylon under the Colombo Plan. A second project, which has been tentatively selected, covers the construction of transmission lines in an area in the development of which Canada has already had an opportunity to participate.

We have also completed discussions with a number of non-Commonwealth countries, notably Indonesia, Burma and Vietnam, out of which has emerged a programme that will absorb about \$2 million of the Colombo Plan appropriation voted by Parliament for 1958-59, the last fiscal year. This programme comprises the provision of Canadian foodstuffs, Canadian participation in a highway survey and a bridge building project in Burma and the supply of prospecting equipment to Burma and of three Otter aircraft to Indonesia to assist that country in the development of its widely scattered island economy.

We hope shortly to be able to commence discussions with our Colombo Plan partners about the programme to be financed out of our contribution for the present fiscal year, 1959-60, which as the House is aware will be increased from \$35 million to \$50 million. There are, however, two projects to which I might refer briefly today because they are projects of a regional nature which, because of their importance and the very substantial benefits that are likely to flow from them, have attracted wide interest and support from countries other than Canada.

The first of these is the Mekong River project, about which my colleague the Minister of Finance provided information to the House of March 12. I am glad to be able to say that the arrangements for Canadian participation in this project are moving ahead rapidly and that we expect the photographic surveying of the Mekong River basin, which as hon. members know affects several different nations, to get under way before the end of the year. In working out these arrangements we have had the benefit of the full and enthusiastic co-operation of the riparian states and the executive agent whom the United Nations has placed at their disposal to help with the administration of the project.

The second project about which I think the House would wish me to say something at this stage relates to the development of the Indus waters system. As the House is aware, the apportionment of the waters of the Indus system is one of the residual problems that has been left over from the partition of the Indian subcontinent in 1947. This problem has been a source of continuing difficulty between India and Pakistan, and efforts to solve it had proved to no avail. Some years ago, therefore, India and Pakistan agreed to refer this problem to the International Bank to see whether the officials of the bank could devise a solution which would be at once economically feasible and politically acceptable to them.

As a result of the negotiations that have been conducted under the bank's auspices, the elements of a solution have now emerged in terms of an engineering programme that would safeguard the interests of both countries. The bank has asked the Governments of Canada, Australia, the United Kingdom and

the United States whether they would be prepared to co-operate in the implementation of this programme, which is expected to extend over a 10-year period. The Canadian Government agreed in principle to participate in the programme that has been drawn up by the bank, on the understanding that the funds required for this purpose would be provided as part of our increased Colombo Plan contribution. I am confident that the House will endorse the Government's view that it is in Canada's interest to help in the solution of a problem which has stood in the way of better relations between two of our Commonwealth partners in Asia.

Commonwealth Scholarship Scheme

One final Commonwealth development certainly deserves mention here. At the Commonwealth Trade and Economic Conference held in Montreal last year a Commonwealth scholarship scheme was agreed to by the governments there represented. It was envisaged that in time there might be as many as 1,000 Commonwealth students studying under the auspices of the scheme in Commonwealth countries. At Montreal, Canada undertook to be responsible for one quarter of this total or about 250 places at any one time. The cost of this commitment to Canada is estimated at about \$1 million annually.

As I informed hon. members last week, detailed discussions about the implementation of the proposed scholarship scheme will take place at a Commonwealth Education Conference to be held from July 15 to July 29 at Oxford; in other words, it starts next Wednesday. The purpose of this conference is to work out the scope and detailed arrangements of a Commonwealth scholarship scheme. In addition, however, the conference will have a wider mandate:

--to review existing arrangements for Commonwealth co-operation in the field of education and to make recommendations for any improvement or expansion that may be possible, particularly in regard to the supply and training of teachers.

On July 3 I announced to the House the composition of the Canadian Delegation to the Commonwealth Education Conference. I indicated at the time that members of the delegation would be required to leave for the United Kingdom over the week-end and that accordingly I foresaw some difficulty in adding representatives to the delegation at that stage. However, the hon. member for Burnaby-Coquitlam suggested that there should be a representative from a teachers' federation, and I am glad to tell the House today, as I have already been able to tell the hon. member, that through the good offices of the Canadian Teachers' Federation it has been possible to add Mr. G.A. Mosher to the delegation as a teachers' representative from the province of Nova Scotia.

Relations with United States

Turning to our relations with our neighbour and good friend, the United States, I shall endeavour to confine my remarks to certain matters which are of current interest. Within the past two weeks a signal event occurred when the President of the United States joined with Her Majesty the Queen at the opening ceremonies of the St. Lawrence Seaway. It was a happy occasion, and the importance of good relations between the two countries was underlined by the realization of what could be done to the advantage of both in co-operation. The personal and friendly relations which existed among Her Majesty, the President, the Prime Minister and the Ministers of the two Governments--and I might add the Leader of the Opposition and other very responsible citizens of Canada and the United States--were evident as together we took part in the opening ceremonies and other events of that day. It seemed to me that in many ways we were paralleling the experiences of numerous families, business firms, service clubs and other organizations in our friendly approach to matters of common concern.

A particular parallel is, of course, present in my mind. The opening of the St. Lawrence Seaway was chosen as a convenient occasion for a meeting of the legislators of the two countries, to which I made some reference in my opening remarks. May I take this occasion to pay tribute to the members of the interparliamentary group who examined together many of the facets of the relations between the United States and Canada, and whose serious and constructive approach will, I am sure, be reflected in discussions of matters affecting the two countries as these are dealt with from time to time in our respective legislative bodies. A sound basis of understanding one another's points of view together with an objective attempt to determine what is the real national and international interest in each question will, I am sure, pay untold benefits.

The boundary water problems between the two nations are receiving urgent attention, especially that concerning the development of the waters of the Colombia River basin, a problem to which the International Joint Commission has been devoting active consideration for some years. In January of this year, 1959, the two Governments requested that the Commission should report specifically and quickly with respect to the principles which might be applied by governments to two matters; first, the calculation of the benefits accruing in the downstream country in consequences of the storage and regulated release of water in the upstream country; second, the allocation between the two countries of these benefits.

Although no formal report has so far been made to governments by the Commission, the chairmen are keeping their respective governments informed of the course of their deliberations. As hon. members are aware, the Commission does

not maintain an independent staff. Accordingly the facilities and the personnel of government departments and agencies of the United States, Canada and also of the Province of British Columbia have been placed at the disposal of the Commissioners. I am confident that it will be possible for the Commission to report soon recommending principles which will be acceptable to the governments concerned. Such principles, with respect to the determination and division of benefits, should reduce materially the period required for completion of an international agreement.

The immense volume and complexity of Canada-United States economic and commercial relations inevitably create many difficulties and problems. These receive a great deal of publicity which sometimes tends to obscure the fundamental fact that our mutual economic relations are on the whole extremely profitable and advantageous to both sides. This is the starting point from which we must examine the particular, and often very important, difficulties which turn up from time to time, such as questions arising from the operation of Canadian subsidiaries of United States companies and, related to this, the problems sometimes encountered in the attempted extraterritorial application of United States legislation and policy.

I have in mind such matters as United States anti-trust proceedings and the effect of United States commercial or strategic policy on Canadian subsidiary companies. We have also had problems in our various agricultural sales and disposal policies and in connection with restrictions or limitations by one country on imports from the other. Such problems are a continuing and natural consequence of our closely interlocked economies. They are not problems which are susceptible of any general or final solution, and genuine differences in our interests must be faced frankly; but I believe most of these problems can be met to the mutual satisfaction of the two countries if we continue to tackle them in a spirit of good will and friendly co-operation, always bearing in mind the great mutual gain arising from our commercial and economic dealings with each other.

I am particularly pleased to be able to say that in recent months there have been a number of very important developments or decisions in the United States which have favourably affected Canadian interests and have reflected a responsible and co-operative attitude in the United States toward relations with Canada and other friendly countries. I have in mind, for example, the modification of the United States oil import provisions, as they affected Canadian oil transported by land; the removal of obstacles to transit shipment of certain goods--including, I think, canned shrimp--and the favourable modification of "buy American" requirements on United States defence orders.

Another recent example which was of particular significance to Canada was a ruling of the Office of Civil and Defence Mobilization that imports of large hydro-electric turbines and other related electrical generating equipment would not endanger the national security. As a consequence of this ruling a Canadian company will share in a very substantial contract for turbines to be installed at the Big Bend Dam on the Missouri River in South Dakota. These are all matters on which we have had direct and friendly discussions with the United States authorities, and the outcome indicates what can be achieved by this means.

Similarly, our defence relationships with the United States continue to be close. These relationships stem from an identity of interest in the fact of the possibility which exists, by reason of technological advances in modern weaponry, of a devastating attack on our two countries. Neither country can defend itself effectively in the face of such a threat without the co-operation of the other. This collective approach to the problem of continental defence is but one segment of a much wider collectivity of effort through the NATO Alliance.

The military planning of joint defence activities and the implementation of specific projects in this field are of primary concern to the Minister of National Defence, who reported fully to the House during last week's defence debate. I shall not, therefore comment on these strictly military aspects of our defence co-operation with the United States. I would, however, like to speak briefly on the other important factors which influence that co-operation. Our identity of interest with the United States in the defence field does not preclude our differences of emphasis on policies designed to serve our common objective. It is for this reason that the Canadian Government insists that we be consulted regularly and fully by the United States Government on a wide range of developments throughout the world which might bring with them the possibility of armed conflict.

In our bilateral dealings on defence matters with the United States the Canadian Government does not hesitate to assert the requirements of Canadian sovereignty. Canadians are convinced, I am certain, that the best physical protection of our sovereignty lies in co-operative continental defence arrangements. Canada must insist, however, that such co-operation shall not jeopardize the political and economic objectives of our own nation.

Relations with Soviet Union

Most of us are inclined to overlook the fact that we have another great neighbouring state, the Soviet Union. As has been mentioned on more than one occasion in this House, Canada has a special interest in its relations with the Soviet Union.

Together our northern boundaries account for the major part of the coast line of the Arctic Ocean. We share a deep interest in problems of northern development, transportation and communication across a large land mass, the exploitation of basically similar timber, mineral, agricultural and other resources. As a consequence each has much to gain from drawing upon the other's experience.

In recent years interchanges between our two countries, particularly in the scientific, cultural and technical fields, have increased in a limited but encouraging way. The appearance in Toronto and Montreal only a few weeks ago of the famed Bolshoi Ballet is a pleasant manifestation of this development. Exchanges of delegations and information are continuing in a variety of other fields.

The developments which have been taking place in Canadian-Soviet relations are in large part a reflection of the Soviet Union's emergence into more active participation in the affairs of the world community. It has been in only comparatively recent times that the Soviet Union has begun to take an active part in many of the agencies of the United Nations, at world conferences in various fields of science and technology and in such international co-operative ventures as the International Geophysical Year. Canada has welcomed this evidence of the Soviet Union's desire to take up some of the heavy obligations which fall to a great world power.

Far East

Turning to a more remote corner of the world, I should like to say something about Indochina, where Canadian civilian and military officers continue to serve on two of the three international commissions which were set up by the Geneva agreements in order to maintain those agreements. I shall begin with Laos where, the committee will recall, the international commission adjourned sine die in July 1958, following the conclusion of political and military agreements between the Laotian Government and the dissident Pathet Lao.

Since the beginning of this year, when it was reported that north Vietnamese troops had crossed into Laotian territory as a result of border disputes, the situation in Laos has attracted some degree of public attention. There have been more recent troubles in Laos caused by the refusal of two battalions of the ex-Pathet Lao to accept terms of integration into the Laotian army, which was provided for by the military agreement reached between the Laotian Government and the former Pathet Lao in November 1957. One of the battalions later accepted integration. The other refused to do so and is now dispersed at the border of northern Vietnam. However, the situation has improved recently and the Laotian Government issued a communique stating that this affair can now be regarded as closed.

The difficulties in Laos prompted numerous requests for reconvening the International Commission for Laos, of which, as hon. members know, Canada is a member. The Canadian position as stated by the Prime Minister in the House on May 8, is that Canada cannot agree to any commission action which would infringe upon Laotian sovereignty. The Laotian Government is understood to be opposed to the reconvening of the commission, but has pledged itself to uphold the Geneva Cease-Fire Agreement. We are in continuous touch with the Indian and United Kingdom Governments on this question--India being another member of the commission, with Poland the third member--and we are watching Laotian developments closely.

As to Cambodia, it was stated in the House on July 25, 1958 that an adjournment formula similar to that used in Laos might be applied to the Cambodian Commission. This has not proved possible, although efforts in this direction are continuing and the strength of the Cambodian Commission has been reduced to a minimum.

In Vietnam, the tension between south and north had not abated, unfortunately, and the Vietnam Commission--on which Canada is also represented, as she is on the Cambodian Commission--continues to perform a valuable task in maintaining stability in the area. However, we hope that it might be possible to effect a reduction of the strength of the Vietnam Commission which would not impair its effectiveness.

I take this opportunity to pay tribute to the way in which India has fulfilled the difficult role of chairman of the three International Commissions. Our work together in Indochina has been and will. I am sure, continue to be one of beneficial co-operation.

The policy of the Canadian Government toward relations with Communist China was examined to some length of the late Mr. Sidney Smith last February, and I do not intend to restate it here. Hon. members will find that statement commencing at page 1405 of the year's Hansard. The Peking authorities, however, do not make things any easier for us. Last year, for instance, when the Chinese question was being discussed in the United Nations, it had to be done against a background of communist attack on the nationalist-held islands of Quemoy and Matsu. More recently there has been the repression of Tibet, the attempt to tamper with its way of life, extinguish its religious values and destroy its autonomy. These actions are not conducive to the peaceful relations which we should like to have with the Chinese people. Let us hope that the situation in the respect will improve.

United Nations

Finally, Mr. Chairman--last but by no means least--I have a few comments to make with regard to Canada and the United Nations. This is the season of the year at which foreign

offices throughout the world begin to turn their attention to the annual General Assembly of the United Nations. It is an opportune moment at which to give hon. members an account of some of the accomplishments of the agencies of that organization during the period since it last met in plenary session, and to give some thought to matters to which its attention will be devoted at the forthcoming fourteenth session.

First there is the matter of disarmament. Hon. Members will be aware that during the past several months discussion of the substantive problems of disarmament has been limited to the negotiations at Geneva on the discontinuance of nuclear tests. These negotiations were begun among the United Kingdom, the United States and the Soviet Union on October 31 last. The central problem separating the two sides became clear at quite an early stage. It concerns the procedures to be used for the dispatch of teams to make on-site inspections of unidentified events which could be suspected of being nuclear explosions. The United Kingdom and the United States position has been that inspection should be initiated automatically, on the basis of agreed technical criteria, by the administrator of the control system unless a contrary decision were taken by a two thirds majority of the control commission. The Soviet Union has argued that such arrangements would enable the Western powers to use the control machinery for purposes of espionage. The Soviet Union therefore has demanded that the dispatch of inspection teams should require the concurrence of the three nuclear powers.

With a view to finding a way out of this deadlock Prime Minister Macmillan, during his visit to Moscow, suggested to Premier Khrushchev that each side should have the right to demand that an agreed annual quota of inspections be made which would not require votes in the control commission. Some weeks later the Soviet Representative at Geneva introduced a proposal based upon this concept. I may say that the Canadian Government considers that Prime Minister Macmillan's idea seems more likely than any other suggestion we have seen to provide the basis for a solution to this most difficult problem.

Following a short recess when the Foreign Ministers' meeting started, negotiations were resumed on June 8, and shortly thereafter the three representatives agreed to the formation of a working group of experts to study methods for detection of nuclear explosions carried out at high altitudes; that is, from thirty kilometres to fifty kilometres above the earth. The expert group met beginning June 22 and their report has just been received. I trust that its technical findings will facilitate political agreement.

Also during the past month the United States Representative introduced papers relating to the problem of detecting underground nuclear tests. The Soviet Representative has not as yet agreed to take these new data under consideration or to remit them to a group of experts.

While difficult problems remain to be resolved, it is encouraging to note that to date a total of 17 articles have been approved for a draft treaty on the discontinuance of nuclear tests. We are confident that with continued good will on both sides the conference will result in a workable agreement. Such agreement could hardly fail to give impetus to the renewal of negotiations on other aspects of disarmament.

In order to facilitate such other negotiations it would be desirable to reactivate the former subcommittee of the disarmament commission of which Canada was a member, or to provide in some other manner acceptable to the powers principally involved for a group of manageable size within the present 82-member disarmament commission. Hon. members will, of course, realize the difficulties involved in reaching any agreement in a commission composed of 82 members. I venture to express the hope that when the Conference of Foreign Ministers of the four powers reconvenes next week it may give some consideration to the question of negotiating machinery within the United Nations.

And now a word about outer space. During May and June the United Nations Ad Hoc Committee on the Peaceful Uses of Outer Space held a useful session. The Committee was created at the last session of the General Assembly in recognition, as the Assembly resolution phrased it, of "the common interest of mankind in outer space", and "the common aim that outer space should be used for peaceful purposes only".

Canada was one of 18 members elected to the Committee. Unfortunately the Soviet Union, in order to demonstrate its disapproval of the composition of the Committee, has refused to participate. In this policy it has been followed by Czechoslovakia and Poland. India and the United Arab Republic have also felt unable to attend the sessions of the Committee. The Canadian Representative expressed this country's hope that at some time in the not too distant future all these countries would feel able to co-operate. The Committee nevertheless proceeded with detailed studies in accordance with its terms of reference. Technical and legal committees were formed to draft components of the report eventually to be made to the General Assembly and, as hon. members are no doubt aware, Canada provided the chairman of the Technical Committee, Dr. Donald Rose of the National Research Council. The final report of the Committee was approved on June 25. In addition to a number of conclusions relating to specific matters, it suggests that the United Nations might establish a committee suitably composed to carry further the investigations which have been begun. I trust that the General Assembly will agree that such action is appropriate and that in the future Soviet co-operation will be forthcoming.

Here I should say a few words on the United Nations and radiation. I have already indicated one reason for our concern that the negotiations on nuclear tests should be fruitful; it is that their success might provide a turning point in the armaments race. A further reason is that a definitive agreement would avoid any increase in whatever hazard may be involved in radioactive fallout. Hon. members will recall that last year the United Nations Scientific Committee on the Effects of Atomic Radiation produced a valuable report, based upon the data made available to it by governments. Because the methods of collecting data vary from country to country, and because not all governments have instituted programmes for the collection, analysis and reporting of appropriate samples, the data available to the Committee necessarily was not as comprehensive as it might have been. In the Canadian Government's view it is desirable that support be given to the efforts of the Committee to enlarge and improve these data.

The next subject to which I should like to refer is the stand-by force. A further issue which received considerable attention at the last session of the General Assembly and which may be up for consideration again relates to the many and varied United Nations activities as a peace-keeping organization and the possibilities that these will in turn evolve into more permanent United Nations stand-by arrangements. Canada's strong support for efforts undertaken under United Nations auspices to secure peace and stability in troubled areas of the world is evidenced by Canadian contributions to, and active participation in, such bodies as the United Nations Truce Supervisory Organization in Palestine, the United Nations Military Observers Group in India and Pakistan, the United Nations Emergency Force, known as UNEF, and until its disbandment in November 1958, the United Nations Observer Group in Lebanon.

UNEF represents the largest and most recent of these operations, and within its terms of reference has achieved notable success. I should like here to pay tribute to those young Canadians who have served in this UNEF in the faraway deserts. They have been making a great contribution, and they have kept the name of Canada high. Naturally a good deal of attention has been given to the possibility of extending or transforming UNEF into a permanent United Nations police force. Last year's session of the United Nations General Assembly requested the United Nations Secretary-General to study the experience of UNEF for any lessons which might be derived for future United Nations policy.

It is the Canadian Government's view that experience has shown that United Nations requirements can involve a wide variety of types of service, designed to meet particular situations in particular areas, none of which may offer an exact precedent for a more permanent type of stand-by force. The Canadian Government has emphasized the need for flexibility in our approach to breaches of the peace in view of the complexity and delicacy of the issues presented. During a recent press conference in New York, when

the United Nations Secretary-General was asked whether he visualized a permanent United Nations force along the lines of UNEF, he replied in the negative and used the analogy of a tailor and his cloth in explanation of his position. Mr. Hammarskjöld said:

"We need really to cut the suit to the body ... more carefully in these various cases of which UNEF is an example than any other cases which are of concern to the United Nations ... We cannot afford or usefully have a wardrobe sufficiently rich and varied to be able to pick out just the right suit as the situation arises. It is much better to have the cloth and go into action as a good tailor quickly when the need arises."

It would no doubt be agreed that in a world which is far from perfect we should not be dissatisfied if progress is made by a series of small steps. Nevertheless, these various United Nations operations in the interests of restoring and maintaining peace have provided a very useful body of experience out of which it is hoped to evolve more comprehensive machinery for strengthening the forces of peace. I can assure you that all proposals to this end are given the most careful study by the Canadian Government.

I would be remiss if I were to omit from this account of United Nations activities reference to a most admirable humanitarian project which members of the United Nations are undertaking this year as a common endeavour. Recently I informed the House of the opening of World Refugee Year, which formally began in Canada on June 28 with statements on radio and on television by the Prime Minister. I must say that I have been gratified by the extent of public response to the statement I made at that time, and in particular by the numerous newspaper editorials which have expressed approval of the fact that the Government plans to admit a number of tubercular refugee cases into Canada and provide for their treatment.

Arrangements for such a scheme are now under discussion. I am sure the warm hearts of the Canadian people from coast to coast will see that support is given to this plan and any other plans of a similar nature. Not only is the Government interested, but there is also a Canadian Committee for World Refugee Year which has already been doing excellent work. World Refugee Year began as an idea put forward by a group of private British citizens. Since then it has been given international approval by the General Assembly as a means of facilitating its own task of permanently solving refugee problems. The Government has been participating actively in United Nations refugee programmes, and we shall continue to do so.

I have already occupied the time of hon. members too long with this statement, especially when it is my earnest hope that spontaneous and frank discussions on international problems will increasingly become the rule in this House. I really should

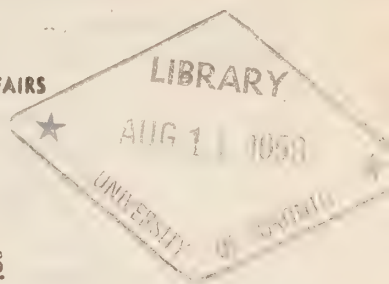
have been setting an example in that regard this morning. I might mention before I close that I felt free to devote my attention entirely to international affairs rather than to details of the estimates in view of the thorough scrutiny given to the estimates of the department by the Standing Committee on external affairs earlier in the year.

Once again I invite hon. members to make their suggestions with regard to Canada's foreign policy and I am sure the result will be very beneficial not only to the Government but also to Parliament and the nation as a whole. My own belief is that Canadian foreign policy should be one that will reflect at all times the common sense and the courage, and above all the character, of the Canadian people. It will be my aim as Secretary of State for External Affairs to do everything I can to see that Canadian foreign policy will fit that pattern, and I am sure that in this task I shall have great help from all hon. members.

S/C

STATEMENTS AND SPEECHES

INFORMATION DIVISION
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No. 59/24

DISSOLVING IDEOLOGICAL DIFFERENCES

Excerpts from an address by Prime Minister John G. Diefenbaker, at the opening of the Ninth International Paediatrics Congress, Queen Elizabeth Hotel, Montreal, Quebec, July 20, 1959.

There can be no more noble or worthwhile a task than the prevention and cure of childhood diseases, which is the professional dedication of this international gathering of men and women whose purpose is the well-being of children for the betterment of mankind.

The time is past when we can hope for the solution of any of our major problems within the confines of any single nation. As science brings all lands closer together, the problems of one country become the problems of all, and, what is even more significant, the problems of all become the problems of each.

This Conference, comprising as it does medical scientists from so many countries, cultures, creeds and races of mankind, is an inspiring example of what single-minded dedication to a common problem mankind has achieved and will achieve in greater measure in the years ahead. Indeed, it is an example to those of us whose responsibilities lies in other fields which include the inter-relationship of men and women the world over.

This assembly brings together men and women of East and West--of 63 countries, including a number from Eastern Europe. I believe that international gatherings which provide opportunities for mutual co-operation and the exchange of opinions and views (aside from the personal benefits which accrue) have a major function to perform in the improvement of the international climate.

Medical science recognizes no limitations or boundaries in its mission for mankind, and has demonstrated that the gulf between two political ideologies can be bridged in a spirit of mutual help and co-operation.

This Conference shows that ideological differences can be dissolved where there is a will and a willingness to do so when the purpose is human suffering.

Sir William Osler, the great Canadian doctor and philosopher, fifty years ago summed up world problems in these words:

"Humanity has but three great enemies: fever, famine and war. Of these, by far the greatest, by far the most terrible, is fever."

These enemies have still to be mastered although much has been done in the prevention or alleviation of human ills. The medical profession, in a professional co-operation among all nations, has swept aside the barriers of geography or political philosophy.

In plans such as the Colombo Plan and the like, countries have joined to remove the threat of famine and to raise their economic standards everywhere in the world.

However, in the field of International relations many nations of the world have not yet learned the need of world co-operation to the end that war will be prevented and peace assured.

The attainment of peace rests not on statesmen and politicians, but on all of the people of every country, and in gatherings such as this a worthwhile contribution is made to the establishment of a climate of peace through understanding, co-operation and tolerance.

The almost limitless march of science in the last few decades, fostered in a consciousness of human brotherhood which transcends national boundaries, has achieved miracles for mankind in this century.

The great paradox of this age is that the developing social consciousness at work in medical science and in such institutions as the World Health Organization, and in the international schemes to assist the economic development of under-developed nations, has not been matched in the realm of political relations.

No Alternative

Furthermore, the march of science while dethroning disease and famine as the most terrible scourges of man has raised war to the first of the evils confronting mankind. It has been truly said that there is now no alternative to negotiation and no alternative to peace. War is no longer a scourge but the instrument of annihilation.

This Convention, with such wide participation, is a demonstration that there has been some reduction in international tension in the past few years, for it is improbable that the countries of Eastern Europe would have been so widely represented at any similar congress held as recently as six years ago.

Does not this raise the hope that, although there are no spectacular or magic solutions of world problems, a gradual improvement in the international climate may be attained if there is a continuing exchange of views and visits between the leaders and people of East and West.

I believe that it has been demonstrated that the gulf between the two ideologies can be bridged, for in meeting the problems of health and science there is hope that the gap can be narrowed in the solution of larger and more far-reaching world issues, provided the free world does not weary in negotiation.

I believe that the gap must be narrowed, and that consultation and discussion must take place in order to achieve settlement of international issues which, in creating tension, could spark a conflict that would be disastrous for all mankind.

It is in this spirit that Canadians have agreed to certain reciprocal exchanges of visitors between this country and countries of Eastern Europe.

I believe that a more stable foundation for peace will be laid when there will be lesser barriers to the movement of people across national boundaries, and fewer unjustifiable hindrances to the free flow of ideas and information to all parts of the world.

I have spoken of the importance of negotiation, and I am encouraged by the signs of progress at Geneva, where the Foreign Ministers of the United Kingdom, the United States, France and the U.S.S.R. have resumed their discussions.

Continuing Effort

The Canadian Government has repeatedly emphasized the importance of continuing negotiations between East and West, and of the value of the most searching joint examination by East and West of major issues which separate them, provided that no solution will be acceptable which jeopardizes the freedom of the people of West Berlin, or forecloses ultimate German reunification.

It is probable that the Geneva discussions will lead the way to a desirable meeting at the level of heads of government, although there should be no misapprehension that a summit meeting would be a speedy process leading to immediate and far-reaching settlements of differences which encompass the fabric of our political and economic life.

In the British House of Commons recently Prime Minister Macmillan, in speaking of a summit meeting, expressed a few words of caution which I wish firmly to endorse. He said:

"The journey which we have to undertake in this pilgrimage is likely to be a long one and it will require patience as well as faith."

Canada has every reason to be particularly interested in the work of paediatrics. Canada is a young country in years and in population being a Confederation for less than 100 years. With one-third of its population (or 5,661,800 persons) under 15 years of age Canada's birthrate is foremost among those of the major industrial nations of the world, and the care of children is the most vital of its national tasks.

In Canada direct responsibility for health services rests with provincial and local governments, assisted by national and local voluntary agencies. The Federal Government's activities are constitutionally confined to special programmes of a nation-wide nature and to the provision of assistance to the provinces. These programmes take many forms, the most important of which is a programme of national hospital insurance finally inaugurated in the last two years and in which eight of the ten provinces are now co-operating with the National Government.

That Canada has shared with other countries of the world in the conquest of many of the ancient scourges of mankind is well known. Sir Frederick Banting and Dr. Charles Best made the epochal discovery of insulin, the treatment of diabetes and Canada made a significant contribution to the development of the vaccine for poliomyelitis.

Much more remains to be done. The need for further research in the field of diseases of children was given recognition in the establishment by the Parliament of Canada during the last month of the Queen Elizabeth II Canadian Research Fund to Aid in Research on the Diseases of Children in commemoration of the visit of Her Majesty, The Queen of Canada. This fund will provide an additional assistance to a half million dollars provided by Parliament during the present fiscal year under the National Health Grants programme for research related to diseases of children.

The purpose of the Queen's Fund will be to provide financial aid to institutions and individuals in Canada engaged in research in children's diseases. I need only mention the problems of leukemia and mental retardation in children, and neo-natal deaths, to indicate something of the magnitude of the problem.

The Fund is primarily a Canadian enterprise, but I need hardly add that whatever benefits or discoveries are attained in the furtherance of its purposes will be available for the benefit of mankind.

May I, in performing my official responsibilities in declaring this Congress open, express the hope that out of the deliberations which take place will come not only benefit to mankind in the field of medicine, but as well to contribute to other fields of human activity and international relations, or, described by Sir William Osler as his personal chart of life.

"I have three personal ideals. One, to do the day's work well and not to bother about tomorrow The second ideal has been to act the Golden Rule, as far as in me lay, toward my professional brethren and toward the patients committed to my care. And the third has been to cultivate such a measure of equanimity as would enable me to bear success with humility, the affection of my friends without pride, and to be ready when the day of sorrow and grief came to meet it with the courage befitting a man."

S/C



STATEMENTS AND SPEECHES

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UNIVERSITY OF TORONTO

No. 59/25

THE COMMONWEALTH SCHOLARSHIP PLAN

Excerpts from a speech delivered to the opening session of the Commonwealth Education Conference, which met at Oxford from July 15 - 29, 1959, by Mr. George Drew, Canadian High Commissioner to the United Kingdom and Leader of the Canadian Delegation to the Conference.

... We are meeting here today pursuant to the decision at the Conference held in Montreal last September to explore the possibility of increased co-operation in the field of education generally, so that there might be wider understanding within the Commonwealth and greater opportunities in the less-developed areas, through the granting of scholarships, the training and supply of teachers, and an exchange of technical and educational knowledge.

At that time Canada put forward a proposal for a programme of Commonwealth scholarships and fellowships, which was approved by the Montreal Conference, which it will be the purpose of this Conference to put into definite form. It was decided "to review existing arrangements for the co-operation between Commonwealth countries in the field of education". While it was stated that this was with particular reference to the supply and training of teachers and the facilities for technical and scientific education, no limit was placed upon the breadth of the examination of the exchange of information and the improvement of the standards of education in all fields.

I do not intend to go into detail as to the nature and operation of a plan for Commonwealth scholarships and fellowships. This can best be done in the Committee which will be set up for that particular purpose. I do think, however, that it might be appropriate for me to outline some of the elements of such a plan which the Canadian Government would wish to have considered in seeking a mutually satisfactory arrangement.

At Montreal it was decided that the scholarship and fellowship programme should provide for the exchange of one thousand scholars who would have an opportunity to study in countries other than their own. Canada undertook to be responsible

for one-quarter of these and, with great generosity, the United Kingdom undertook to be responsible for one-half. The formal commitments necessary to bring this plan into effect may therefore be regarded as already assured, and we proceed from that point.

Canada's Views

In support of its proposal for a Commonwealth scholarship plan at Montreal, the Canadian Government put forward certain basic considerations. Broadly speaking, it was made clear that the plan should supplement the various programmes already operating within and outside the Commonwealth for the purpose of providing technical assistance to less-developed countries. These programmes are designed primarily to advance the knowledge, techniques and skill required for economic advancement and development. But as was stated at the Conference in Montreal, "development brings with it an ever increasing need for people equipped with general training to serve all the elaborate and varied processes of a complex society". The Conference was thus dedicated to a broad concept of education.

In their support of the Canadian proposal, so generously expressed in their commitment to assume the responsibility for one-half of all the scholarships and fellowships, the United Kingdom representatives at Montreal also stressed the point that while the purpose of such a plan might be directed mainly to technical and economic needs, the broader aspects of education should always be borne in mind. This was the opinion apparently supported by all at the earlier conference.

The plan for scholarships and fellowships should not be regarded as one designed simply for the purpose of opening new opportunities to scholars of the less-developed parts of the Commonwealth. Naturally it is our desire that such opportunities be made available on the widest possible scale, but we regard this as a reciprocal plan through which selected young men and women from every part of the Commonwealth will gain a better understanding of the life, culture and institutions of other countries in the Commonwealth. We believe that we Canadians shall gain no less than the smaller and newer members of the Commonwealth if our young scholars are able to increase their knowledge and understanding of the wider problems and aspirations within the Commonwealth through the operation of such a programme.

Aim of Programme

In the discussions which have preceded this Conference, the representatives of our different Canadian universities have emphasized the value they attach to the opportunity this would afford to create within Canada a pool of well-trained brains capable of expressing themselves with knowledge and conviction in regard to the educational and other problems of fellow members of the Commonwealth.

The cumulative effect of such a reciprocal programme, carried on effectively for a number of years, would be that every question which might arise in another part of the Commonwealth could be discussed with sympathy, knowledge and understanding by someone in the other countries of the Commonwealth, who could interpret the special background and historic considerations which should be borne in mind in seeking to build a wider basis of co-operation and advancement. This would produce results of enormous advantage to everyone.

Scope of Plan

It is possible that the importance of such a scholarship and fellowship plan may be obscured by reference to the numbers of students already seeking education outside their own countries. At present there are about thirty thousand students studying in Commonwealth countries other than their own. At first glance this might suggest that the new plan is somewhat limited in its scope. I hope there will be no misapprehension on this score. The plan will provide great possibilities of creating a better understanding within the Commonwealth and a strong foundation for co-operation in all fields of activity in the years to come. Most of those students now studying outside their own countries pay their tuition fees in the ordinary way. There are also a number of very generous scholarship arrangements. However, many of the countries which can gain most from such an exchange, are not able to send their young people to universities in the other countries and this valuable exchange of students, admirable though it may be, does not in most cases conform to the ideas of reciprocal exchange of studies and information to which we attach such great importance.

I should also emphasize that there is no thought of limiting the scope of co-operation and exchange of trained personnel to the numbers embraced in this scholarship plan. Already technical and other assistance is being provided with no relationship to any such plan. Programmes are now in operation under the Colombo Plan which not only assure the carrying out of specific development and construction projects but also furnish in themselves technical training to those living in the area where the work is carried out. The supply and training of teachers and of scientific and technical personnel, as well as the provision of equipment needed by less-developed members of the Commonwealth to create their own scientific and technical training centres, will be covered by the Colombo Plan and other voluntary co-operative programmes without reference to this scholarship plan and will be in no way limited by that plan.

It is not possible to state in advance what proportion of our human and material resources can be devoted to these purposes. However, I do assure you that we in Canada will at all times co-operate to the utmost of our ability in this field and seek to make available in every way we can any special advantage we may possess. At the same time, we shall hope to gain experience, understanding and a wider knowledge of other parts of the Commonwealth through these very activities. The exchange of ideas

will in itself be one of the most valuable result of these efforts.

I have mentioned these other activities because I thought it wise to emphasize that while we attach considerable importance to the scholarship plan, this will not be substituted for the other very substantial programmes now under way or contemplated. It has a particular meaning and its purpose is not only to increase the opportunities for education but also to increase and expand understanding and good will throughout the whole Commonwealth.

As I said before, I have carefully refrained from putting forward any details of the way in which such a scholarship plan can be set up and can operate most effectively. I am sure that the delegations meeting here today already have definite opinions which they wish to exchange. I do not believe that it would be helpful if I attempted to anticipate the work which the committees will do.

Meaning of Education

Having expressed our hopes about the scope and possibilities of a scholarship plan and wider co-operation in other fields, I hope I may be permitted to express some personal opinions about these vitally important subjects. First may I say that I think it is no good to give our young people a smattering of culture, if they are going to go hungry. For that reason I think there must be a very real emphasis on the practical aspects of education and the opportunities to put that education to work after it has been acquired. I am equally strong in my belief, however, that it is not much better to provide our young people with the ability to earn their daily bread, and to become economically independent, if we have not taught them how to live. As this is the first Commonwealth Education Conference held in our thirty years and the first ever to be attended by several of the nations represented here today, I do hope that this dual aspect of our educational problem will be constantly on our minds. I think it would be most unfortunate if this Conference should by any chance appear to be more concerned with the cold statistics involved in the allocation and financial support of scholars, or the training and supply of teachers, than with the purpose, content and meaning of the word "Education", which will be used so frequently during the next two weeks.

All too often we use the word "Education" when we are in fact thinking of the technique of instruction. It must be possible for us to define in simple and understandable terms the aims and objects of the kind of education which we believe will not only improve the social and economic standards of all the people within the Commonwealth, but will also contribute to a better and higher standard of life itself.

Within this vast Commonwealth of ours, we embrace almost every known faith and creed. But this creates no barrier between any of us, when we seek to define the aim and content of education within a free society. Through the religious faith to which each one of us adheres, we seek our own spiritual salvation, but surely we must agree that if the use of the word "Education" is to have any meaning we should be able to declare its purpose within the Commonwealth:

"Holding no form of creed,
But contemplating all".

To have all the examples of the past from which to draw is a storehouse of immense value. There was the teaching for religious office in the ancient civilizations of Asia, the Middle East and Egypt. There was the stern discipline of Sparta. There was the great period of education in Athens during the golden days of Greece. We can look back upon the steady growth of education and of culture in Europe. All these, including the firm growth of education here in Britain and throughout the Commonwealth, suggest alternatives and indicate the course which we should follow. Nor should we forget the straitjacket within which education has been confined in the dictatorships which have emerged in recent years.

Our plans, it seems to me, should be an expression of our belief in freedom. While governments must of necessity play their necessary and important role in working out the details of any plans formulated and approved by this Conference, the ultimate responsibility for their operation and their success will, of necessity, rest mainly upon our universities. As we seek an answer to this fundamental question, "what do we mean by Education?", I venture to suggest that all universities today should ask themselves three questions.

- (1) Is not the most important problem for the world today a moral and a spiritual one? On the material side we are doing very well and we shall do still better and expand it. Our real weakness and the real division between the totalitarian state and the free society lies in the other field.
- (2) What are the universities going to do to cure this weakness, whose existence they cannot possibly deny?
- (3) Having regard to the fact that our future will be so largely shaped by the thoughts implanted in the universities, ought anyone to be allowed to pass through a university without thinking about this problem? Can we ignore what Plato called "the noblest of all studies - the study of what a man should be and how he should live"?

Certainly there are no easy answers to these questions. But are the answers so difficult as we sometimes seem to think?

If our universities really regarded this as an urgent and serious problem, it could be solved tomorrow. We are dealing with far more complex questions in the mysterious realm of nuclear physics. People who have unlocked the mysteries of the universe by their combined thought and action surely need not be dismayed by this relatively simple task. I most earnestly hope that this Conference will formulate a declaration setting forth, in clear and simple words, the ethical and practical concepts of education within the Commonwealth which we are prepared to support.

Let us make plans, whatever they may be, worthy of the great challenge with which we are confronted and equal to the immense opportunities that now open out before us. Let us make no small plans. They hold no magic to stir the hearts and minds of men.

We can produce nothing more valuable at this Conference than a clear statement of our aims and objects in words which will give life, vitality and increasing strength to the system of education which we seek to encourage throughout the whole Commonwealth.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
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No. 59/26

THE AIMS OF CAPITALISM

Notes from an address by Mr. John G. Diefenbaker, Prime Minister of Canada, to the International Junior Red Cross Study Centre in Toronto, on August 12, 1959.

It is my privilege, on behalf of the Canadian people, to welcome the members of the Junior Red Cross from so many countries, and their adult leaders who give guidance and counsel, many of whom are known the world over for their good works in the International Red Cross in its world crusade for brotherhood in charitable works.

This Conference is an important one representing as it does the largest youth organization in the world, with 55 million members in 72 nations, and what it has done in humanitarian works to strengthen the bonds of mutual co-operation and international friendship is respected by all nations.

This Conference is important, too, for it marks two milestones in the history of the Red Cross -- the 100th anniversary of its founding, and the 50th anniversary since its official establishment in Canada.

There has been a tremendous widening of the functions and activities of government in the field of human betterment and social welfare in the last 50 years, but governments, cannot take the place of individual effort in charitable works, and in assuring in a spirit of true humanity the substitution for the jungle spirit of survival of the fittest, of the survival of all that is finest in the spirit and soul of man.

The Red Cross has shown that nations can work together for the benefit of each and all. What the Red Cross has done gives hope that all the nations can be persuaded in a like spirit of co-operation to be their brother's keeper, irrespective of colour, race or religion, to unite in peace and for peace to remove economic inequities which are the basic cause of human suffering, and thereby to raise living standards and give new hope to hundreds of millions of human beings who regard abject poverty as inevitable and eternal.

I believe, too, that if this meeting can achieve no more than the benefits to be gained when delegates from other lands meet together, the dividends in friendship and mutual understanding that will accrue, will amply repay all the work that has been done in bringing about this meeting.

Sir William Osler, one of Canada's most famous men, an internationally known physician, once said:

"Humanity has but three great enemies: fever, famine and war; of these by far the greatest, by far the most terrible, is fever."

While fever and hunger have not been banished, the Red Cross international organizations have succeeded in bringing diseases of man increasingly under control by arousing and mobilizing a world-wide social conscience and consciousness of the need to battle against disease and catastrophe.

Advancement of Science

In the last 50 years science has given new hope that these terrible scourges of fever and famine may be dethroned and has brought within man's grasp standards of living everywhere in the world far beyond anything yet attained, but at the same time has raised war to an instrument of annihilation for both victor and vanquished.

Furthermore, advances in medical science have brought about tremendous increases in population. In the 19th century the world population doubled, and in the 20th it will quadruple. To put it more clearly, the population of the world when I was a boy was 1,500,000,000; many in this audience will live in a world with a population of 6 billion people.

Such increases in population constitute an added challenge to mankind, for men everywhere are demanding new living standards, greater equality of opportunity and the hope of better things, rather than despair which has been the lot of so many through the ages. The greater the population, the greater the need of raising economic standards so that there will be sufficient for the needs of the additional multitudes of mankind.

It is under these circumstances that the battle for the minds of men is taking place between those who believe in freedom under law, and those who contend that communism is the hope of mankind.

Canada's Message

What is Canada's message? You from other lands have spent some time in Canada. You have seen our ways and our standards of living. You might be interested in some Canadian views. Canadians, like people of all nations, are interested in world affairs. Modern developments have made every other nation in the world a near neighbour for whom new responsibility has been created. It is recognized today, as never before, that the prosperity of any nation cannot be founded on the poverty of other nations.

Canada has no territorial desires. She has no desire to impose her will or views on other nations, and would not if she could. Democracy cannot be forced on nations or individuals by war threats or other means of coercion because it is founded on spiritual things and the aspirations of the human spirit.

Beginning with the two major founding nations of British and French, Canadians of these and many other races have learned to live together in amity. To Canada's shores have come people of every race and colour, and that she has been able to meet one of the world's major problems, that of discrimination, is shown by the presence of an Indian in the Senate and a member of the Chinese race in the House of Commons, who was elected in an electoral district predominantly of the white race, and by the fact that Parliament has representatives of sixteen races among its members.

Canada's purpose is to do her part to assure peace in the world, selfishly if you like, for she depends on trade, being the fourth greatest trading nation in the world, and trade depends on peace. Canada wants peace because her geographical position is between the two most powerful countries in the world, the United States of America and the U.S.S.R., and Canada in any war would be a vulnerable target. But primarily Canada wants peace because of the realization that the alternative to peace is the destruction of everything that we hold dear.

Canada, with a relatively small population of 17.5 million, is an independent nation within the Commonwealth of Nations, proud that it was here that the principles and concepts of the Commonwealth had their beginning.

International Commitments

Internationally, Canada is a member of the United Nations, and has been since its inception. This country belongs to the North Atlantic Treaty Organization, an alliance without aggressive purposes, which stands as a bulwark of defence for the freedom of the rights of men, and for peace -- composed of 15 nations, including many of the countries represented here: Belgium, Canada, Denmark, France, Greece, Iceland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Turkey, the United Kingdom, the United States, and West Germany.

Canada's closest neighbour is the United States, a nation with ten times Canada's population. We pursue separate ways in mutual trust and friendship, and without fear of war, for war between these countries is unthinkable. The effective answer to communist propaganda that the United States has aggressive or warlike purposes is that for more than 140 years peace has existed between Canada and the United States. There are no fortifications

between us; we share the same ideals of freedom, and of dedication to peace. We settle our differences by arbitration rather than by threats of armed conflict. What our two countries have been able to do I believe that the nations of the world could do if each and all but have the will to do so.

Nations, like individuals, cannot live unto themselves alone. Arnold Toynbee, the historian, has stated the application of that principle in these words:

"The Twentieth century will be chiefly remembered by future generations not as an era of political conflicts or technical inventions, but as an age in which human society dared to think of the welfare of the whole human race as a practical objective."

Economic Contribution

Canada has been blest with vast resources. In other parts of the world people are demanding that their standards of living be raised. Canada, with other free world nations, is making her contribution to that objective.

Many billions of dollars have been advanced by Western nations for aid and economic assistance to nations in Asia and Africa, so that needy nations everywhere may be given the opportunity to raise standards of living for themselves, by themselves. Many tens of millions of people in Asia and Africa believe that there is no release or escape from eternal poverty. By help and assistance plans, the "have-nations" can and must show them that there is.

Since the end of the last war Canada's contribution (without strings attached) to the Colombo and other assistance plans, has amounted to \$4,600,000,000.

An effective means whereby Asian, African and other countries can be provided with the means to raise their standards by themselves, which appears to me to be reasonable, is to provide technical training to representative citizens of needy countries who will return to their homeland after training and launch economic developments in power and industry, in agricultural and self-help programmes for health and education and other such projects.

Last fall I visited the Commonwealth countries in Asia and saw evidence of Canadian assistance in power, irrigation and economic projects, and technical assistance to universities, and I saw the beneficial results that were being attained. In the past years since the Colombo Plan came into existence Canada has made annual contributions not exceeding \$35 million a year, and during this year and the ensuing two years the amounts contributed under this Plan will be raised to \$50 million per year.

I emphatically deny the false propaganda of the Communists that such help and aid is made for the purpose of assisting in a resurgence of colonialism, or from some other ulterior or nefarious purpose. Canada's only purpose is to provide strong economic foundations in the recipient countries so that each of these countries may play their part in the world, without fear or want.

Commonwealth Scholarship Plan

Being of the opinion that one of the most worthwhile ways to attain understanding between nations is in the exchange of university students, I had the honour to bring before the Commonwealth Trade and Economic Conference meeting in Montreal in September, 1958, a proposal for the exchange of students between countries of the Commonwealth. At the Commonwealth Educational Conference just concluded at Oxford, England, a plan in this regard has been adopted which will provide for 1000 exchange scholarships and fellowships, to which Canada will contribute \$8 million. One-half of the total amount of \$28 million, to be expended over a period of five years, will finance the scholarship scheme, and the other half will be devoted to training teachers of Asian and African countries in technical knowledge.

Superiority of Capitalism

We who believe in capitalism know that it has errors and shortcomings, as do all things human, but we claim that it has raised the material condition of men and has provided economic well-being unequalled by any other system, with the state protecting the individual against exploitation and unfairness. Canada is a capitalistic country since it owes its progress to capitalistic principles.

The principles of capitalism have been misinterpreted and distorted by communist propagandists. Many millions of people as well have a false idea of the ways of living in capitalist countries because of the perverted nature conveyed by some motion pictures. Many interpret capitalism in the light of the local money lender who still thrives by the practice of inhuman usury by which in some instances as many as three generations may be in serfdom to the money lender as the debt is passed on from father to son.

Need for Statement of Aims

Such misinterpretations and misunderstandings need to be answered by a clear and unequivocal statement of the aims, purposes and practice of democracy under the capitalistic system. I am reinforced in this view by Mr. Chester Bowles, who, speaking in the House of Representatives in the United States from wide experience as American Ambassador in India, declared that:

"What is needed is a new statement of our purposes".

The need of such a declaration is re-emphasized by the most recent events which would indicate that the world may be entering a new era in East/West diplomacy, beginning with official visits being made by Premier Khrushchev to the United States and President Eisenhower visiting Moscow.

Khrushchev has stated that relations between the communist world and the capitalist world, because both realize that there would be no victor in a war and each is peace-minded, now enter an era of peaceful competition. Each realizes the other's power, and therefore it may be that in the immediate years ahead the competition may well be the demonstration of strength and virtues of the two systems.

In the last few days Khrushchev has condemned what he calls the "morale of capitalism". East Germany's, Poland's and Czechoslovakia's leaders have condemned capitalism as immoral, and to meet these charges it becomes necessary as never before for the free world to define capitalism, and to show its purpose, its aims, and the benefits to the individual, to the state and to mankind.

Communists in the world competition of ideals know where they stand and set forth their views in printed word and speech; the capitalist world can do no less. The capitalist world will never try to propagate its views by force or demand the acceptance of its principles under duress, and if it is to compete it must reveal and display the superiority of capitalism.

The capitalist world should, in my view, make a uniform and conscientious effort to make available books and periodicals which give a fair and objective picture of capitalism and its benefits -- otherwise the contest for the minds of men may go by default, as the only literature available in many uncommitted countries is highly organized communist propaganda available in every book-store in every major language. To meet the aggressive propaganda of the communist world, the Western world needs a truthful and aggressive salesmanship of its ideas and its ideals.

I have tried to place before you a few views that came to me as I visited Pakistan and India, Ceylon, Malaya and Singapore where I was received with unforgettable good will, and where I learned to realize more than ever before that the Commonwealth of Nations is the world's most successful experiment in peace, for war between any of its members is inconceivable.

Again I express a warm welcome to you, and my hope is, that you young men and women will continue to serve the cause of pe National survival in time of war depends on youth. No less, I believe are the opportunities of youth in peace. Your dedication and determination to make the kind of world you want will be a major factor to that end.



STATEMENTS AND SPEECHES

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No. 59/27

THE UNITY BETWEEN CANADA AND THE UNITED STATES

Notes from an address by the Prime Minister of Canada, Mr. John G. Diefenbaker, to a joint meeting of the Rotary Club of Chicago and the Chicago Association of Commerce and Industry at Chicago, Illinois, on September 3, 1959.

Mr. President -- I appreciate the welcome given me to Chicago, which I take in no personal sense but reflecting something of the honour done to my country.

The unity, fellowship, fraternity and common dedication to the heritage of freedom is to the peoples of the United States and Canada a living thing.

The declaration of "Canada Day" at the Pan-American Games by Mayor Richard Daley is a kindly gesture, and a further abiding evidence of the spirit displayed in this city during the visit of Her Majesty, Queen Elizabeth II, and the Prince Philip, in July. That was an unforgettable and memorable experience for the Queen. I know, as her Minister, for she told me so.

The purpose of my visit today is primarily to visit the Pan-American Games. International sport makes a worthy contribution to the recognition of the best in the individual human being. In sport, as in no other human institution, the individual comes into his own. In sport the individual is honoured and rewarded for what he is and what he does, without consideration of race, religion or colour. This surely is equality of opportunity in its fullest sense.

This meeting of the minds and muscles of over two thousand athletes from twenty-four nations epitomizes that spirit which, if attained in the international sphere, would assure world peace.

Sport proves that keen competition and rivalry between individuals does not mean hatred or domination. Competitors strive to the utmost for the prize, asking only to be judged by the same rules. Competition conducted in

that spirit breeds no bitterness. This is the lesson the nations need to learn. Freedom can never hope for -- nor would it wish -- a world in which competition between peoples was eliminated. Freedom only seeks competition that does not breed hate, bitterness and bloodshed.

Mutual knowledge leads to tolerance of national ideologies whatever their characteristics and differences, arising from the diverse backgrounds of geography, language, religion and culture, may be. The history of mankind suggests that such a spirit of tolerance was regarded throughout the ages as weakness. The goal of emerging civilizations has been world domination, and every civilization passed into history when it ceased to dominate.

The nations of the free world, comprising more than half the people of the world, deny the concept of domination and are dedicated to the belief that peace, prosperity and survival itself demand the practise of tolerance. Equality of opportunity for every individual in every area of human want and aspiration, once regarded as sheer idealism, is an attainable objective which mankind must now seek collectively, or perish in senseless strife.

These Games, dedicated as they are to the fostering of closer relations between all the countries of the Americas, suggest that I should speak of the Canadian concept of Canada's relationship with its neighbours. This, of course, immediately raises the age old question: "Who then is our neighbour?" The answer is that of the parable two thousand years ago of which President Eisenhower spoke in his joint broadcast with Prime Minister Macmillan -- neighbourliness is a thing of the spirit, not just a matter of geography. In the modern world none of us can escape the conclusion that all the world is our neighbour.

Trade Relations

Canada and the United States are the greatest trading neighbours in the world, and trade is the lifeblood of the Canadian economy to an extent that relatively few persons realize. Canada is now the world's fourth largest trading nation, ranking behind only the United States, the United Kingdom and Western Germany. But, while the United States is the largest trading country, the important thing to realize about Canada is that on a per capita basis Canadian foreign trade is three-and-a-half times that of the United States. Therefore, trade relations and trade neighbours are vital considerations for Canada.

Every businessman knows that trade is a two-way street, and that a customer with money to spend is a better customer than the man or the country who has no trading income with which to be a buyer. For many years now Canada has faced an unfavourable trade balance with the United States, but recent figures indicate an improvement in this regard.

In the first half of 1957, total Canadian imports from the United States were over \$2,136 million; while total exports from Canada to the United States amounted to only \$1,355,689,875, a gap of over \$780 million.

In the first half of 1959, however, Canadian exports to the United States had risen to \$1,416,049,925, while imports from the United States were just over \$1,902,600,000. The trade deficit in this period had fallen from \$780 million two year ago to just over \$441.5 million this year, a drop of almost 45 per cent, and this, notwithstanding the fact that quotas imposed by the United States Government in October of 1958 for the protection of the American domestic lead and zinc industry contributed to a drop of Canada's very important exports of lead and zinc ores, concentrates and metals in the same period from nearly \$29 million (\$28,906,792) to \$25,874,510, and in zinc metal alone the drop was from \$13,011,290 in the first half of 1957 to only \$7,135,396 in the first half of 1959.

Perhaps even less known than the general facts of Canadian-American trade relations is the extent of trading carried on between Canada and the American lake and mid-western states. Canadians obtain about one-half of all their purchases of United States goods from the Great Lakes' states, and since this year Canadian imports from the United States may well approach \$4 billion, you can quickly see how significant a volume of your business in Chicago is done with your northern neighbour.

Illinois is the most important source of supply for Canadians among the Lake states. Some one-fifth of the Great Lakes' area exports to Canada come from here, and indeed, about one-ninth of all United States sales to Canada are from Illinois. This state sells more manufactured goods to Canadians than any other state in the Union and, in fact, Canada buys about as much from the Chicago area alone as she does from the whole of West Germany.

On the other hand, Canada sells more to the Chicago area than to any other region of the United States. Your mills and factories here depend heavily upon Canadian supplies of industrial raw materials and semi-processed goods. Shipments of Canadian goods through Chicago and other United States mid-west ports exceed those made to any country in Latin America or continental Europe (this is, excluding the United Kingdom).

Defence Production

Canada and the United States stand in close co-operation in trade and industry, in NATO and in NORAD, and have voluntarily integrated the air defence of North America. We are now co-ordinating defence production to an extent other countries in other parts of the world would find unbelievable if they were aware of the whole story.

The principles were enunciated in 1950 when, in a statement of the Principles for Economic Co-operation, these words were used:

"That our two Governments shall co-operate in all respects practicable and to the extent of their respective executive powers to the end that the economic efforts of the two countries be co-ordinated for the common defence, and that the production resources of both countries be used for the best combined results."

In recent years, United States industry has enjoyed considerable success in supplying the Canadian defence market and has established a substantial volume of sales of defence items. The increasing integration of Canadian and United States defences, and the growing complexity of weapons systems, tend to perpetuate and strengthen Canadian use of United States engineering and production facilities.

Canada has developed competence in both the development and production of certain kinds of defence equipment. The degree of success which can be attained depends largely on our common understanding of its aims and objectives, and on acceptance by the United States of the principle of providing greater opportunities for Canadian defence industry to participate, competitively, in the development and production of the defence systems which are vital to the defence of both countries.

The United States-Canada Defence Production Sharing Programme was largely in the process of organization during the closing months of 1958, and can only be said to have come into active existence during the first seven months of 1959.

Under the supervision of the joint Senior Policy Committee United States Government authorities have worked out a number of concessions and relaxations to existing United States Government procurement regulations which have had the effect of largely removing the obstacles to participation by Canadian industry in United States defence procurement. The aim has been to provide equal opportunity for the Canadian defence industry to compete for orders for United States industry on the recognized bases of quality, delivery and competitive pricing.

Unity in International Affairs

If it is important that Canada and the United States should co-operate with one another in trade and industrial development, defence and defence production, it is even more important that we stand united ideologically and politically.

The U.S.S.R. appears to be directing its major attention to the weakening of other nations on the economic front. Co-operation is admittedly necessary in defence but it is no less so in economic matters.

In the struggle against communism for the hearts of men and nations, the countries which lead it must refrain from economic actions which weaken other nations allied with them in the cause of freedom.

The free world everywhere must remain strong and become stronger, if the very basis of our social, economic and political systems is to be preserved. There is no alternative to co-operation. Freedom cannot be purchased without co-operation. The price of freedom is co-operation; the prize of co-operation is freedom; and what the free nations stand to lose by failure to co-operate is freedom itself.

Need for Declaration of Objectives

I believe that the objectives of the free world must be stated and interpreted by the free world as in the days of war when the Atlantic Charter set out in understandable language the principles for which the legions of freedom fought and died. A similar Charter should be declared to-day, a Declaration of Freedom's Creed.

Men who believe in capitalism know that it has shortcomings, as all things human have. Capitalism has raised the material condition of men and has provided a standard of living unequalled by any other economic system known to history, when the state plays its proper role in protecting the individual against exploitation and unfairness.

Canada is a capitalistic country because it owes its progress to capitalistic principles. So is the United States of America. We understand the aims and ideals of capitalism but others do not.

The principles of capitalism have been misinterpreted and distorted by communist propagandists. Many millions of people in Asia and Africa have a distorted idea of the ways of living in capitalist countries. Many interpret capitalism in the light of the local moneylender who still thrives by the practice of inhuman usury under which, in some instances, as many as three generations may be in serfdom to the moneylender as the debt is passed on from father to son.

Such misinterpretations and misunderstandings need to be answered. The practice of democracy under the capitalistic system must be made known in clear and unequivocal terms. I am not alone in this view. Mr. Chester Bowles, for example, speaking in the House of Representatives from his wide experience as American Ambassador to India, declared that:

"What is needed is a new statement of our purposes."

The need of such a declaration is re-emphasized by the recent events. No one can deny that the world may be entering a new era in diplomacy -- the official visit of Premier Khurshchev to the United States and President Eisenhower to Moscow are signs of the new era.

Khrushchev has stated that relations between the communist world and the capitalist world are now entering an era of peaceful competition. He says this is because both realize there can be no victor in a modern war, and because both sides are peace-minded. Each realizes the other's power, and therefore it may well be that in the immediate years ahead the competition between us will be in the demonstration of the strength and virtues of the two systems.

Recently Khrushchev condemned what he called the "moral of capitalism". East German, Polish and Czechoslovakian leaders have condemned capitalism as immoral, and to meet these charges, it becomes necessary as never before for the free world to define capitalism, to show its purpose, its aims, and its benefits to the individual, to the state, and to mankind.

Communists in the world competition of ideas know where they stand, and set forth their views in printed word and speech; the capitalist world can do no less. The capitalist world will never try to propagate its views by force, or demand the acceptance of its principles under duress, but if it is to compete it must reveal and display the superiority of capitalism.

The capitalist world should, in my view, make a uniform and conscientious effort to make available books, pamphlets and periodicals which give a fair and objective picture of capitalism and its benefits, otherwise the contest for the minds of men may by default. The only literature available in many of the uncommitted countries of the world is highly organized communist propaganda available in every book-store in every major language.

To meet the aggressive propaganda of the communist world the Western world needs a truthful and aggressive salesmanship of its ideas and its ideals. Trade and aid are not enough. We cannot gain the uncommitted countries by dollars and goods alone. We must give to them what is after all our greatest product, our heritage of freedom.

Conclusion

The Pan-American Games should serve to remind us that the real essence of the spirit of our New World is tolerance, and the recognition of the individual.

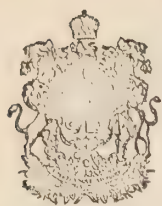
The United States, Canada and the Americas have a special responsibility to co-operate in the raising of standards everywhere in the world. Blessed by Providence with rich resources, allowed to inherit a new land and make a new start in the building of nations, we have had the opportunity to throw off the shackles of prejudice, hatred and distrust.

We in our two countries are joined by tradition and geography, and in the book of history in the future we may be the model for all mankind. The unity between Canada and the United States must be preserved and expanded to include all nations, not

only in the Americas but throughout the world. The spirit of unity -- the unity of ideas and ideals -- is insoluable.

It has been said of this generation of the cold war that it moves "beyond the tower and the abyss" -- the tower being the high heights to which standards of men everywhere in the world can be raised if mankind wills to take the pathway of peace; the abyss being the bottomless depths to which mankind will fall if we fail to solve world differences by specific means and armed conflict takes place, with the arithmetic of scientific destruction being almost limitless.

S/C



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STATEMENTS AND SPEECHES

INFORMATION DIVISION
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OTTAWA - CANADA

59/28 SOME RECENT DEVELOPMENTS IN INTERNATIONAL AFFAIRS

Notes from an address by Mr. John G. Diefenbaker, Prime Minister of Canada, to the Canadian Women's Press Club in Ottawa on September 8, 1959.

Canada is represented at various international conferences and serves on many international bodies. It is the general policy of the Government to appoint women to such international conferences and bodies, and to domestic boards and commissions, especially where the subject matter is of particular concern to women.

Democracy cannot be truly effective without consultation. While the government must make the choice in all appointments and cannot abdicate its responsibility to make the choice, women's organizations can be helpful with suggestions of qualified women so that the best available will be chosen.

It is my observation that one of the most encouraging signs on the world horizon today is the keen interest being taken by women everywhere in international affairs. This of course is as it should be, because women have a particular interest in the realization of the prime objective of all international relations, which is permanent peace for mankind.

In the past, wars have been largely begun, and carried on, and concluded by men. Only in the last great World War, with perhaps a few historical exceptions, have women from all walks of life had their full-scale part to play in the armed forces of the nations. If there is another world conflict it will not be a man's war--it will almost certainly be a war in which all the men and women and children of the nations involved will be at least participants.

The glories of such a war will be small, and the sufferings large. Women know this, and that is why in our country, as in others, their voices are being heard as never before insisting that in the future there must be peaceful settlement of any

dispute between nations. It is for this reason and in this spirit that I now say a few words to you about the international situation.

International Situation

What of the international situation? As you know, the Foreign Ministers' Conference in Geneva came to an end last month, after two prolonged sessions of negotiations devoted mainly to the problems of Berlin and German reunification. While no solution to these problems was found, the Conference must be regarded as worthwhile, especially when one reflects on the possible alternatives. The threats of unilateral action on Berlin and of the use of force, which were being uttered by Soviet spokesmen last November, have receded into the background.

Progress was not made on the broad question of reunification and European security. Differences over the Berlin situation were narrowed sufficiently to lay the groundwork for belief that some interim arrangement can be achieved pending a final settlement.

While the results of the Conference were neither dramatic nor conclusive, I continue to believe in the imperative need of negotiations between the Soviet Union and the West, while recognizing that quick and easy results cannot be expected from these negotiations.

The differences that divide are many and deep. The West is certainly not going to abandon its basic principles, and the Soviet Union will not modify its political philosophy to an extent that would make likely an early and comprehensive settlement of our differences.

I believe that in the pursuit of a settlement of these outstanding differences the West must be prepared to negotiate in many ways and at all levels and at great length, according to the opportunities which present themselves.

President Eisenhower's Initiative

It was with these considerations in mind that the Canadian Government gave immediate support to President Eisenhower's decision to arrange for an exchange of visits with Premier Khrushchev. The Canadian Government welcomed it as evidence of the willingness of President Eisenhower, in his capacity as leader of the major power in the Western world, to assume the responsibilities which the strength and position of his country bestow, no matter how onerous and unrewarding the task may be.

I applaud the initiative which President Eisenhower has directed towards the creation of an atmosphere which would facilitate the beginnings of what must be a long and difficult process of negotiation.

Similarly, the talks which the President has recently concluded with the heads of government in major capitals of Europe cannot but have a beneficial effect on the world situation. Before his departure, the President included amongst the purposes of his trip the support of Western unity; the search for progress on the problems of disarmament and German reunification; the strengthening of help to under-developed countries and the reaffirmation of the dedication of the United States to the North Atlantic Treaty.

In addition to his talks with heads of government, the President found time to attend briefly a meeting of the Permanent Council of NATO. He included in his comments on that occasion an assertion which I strongly endorse, to the effect that no member nation need take a second place in the Organization, and that NATO is animated by a spirit of equality as well as by a determination to work to preserve those ideals which we all cherish.

Canada's stand in this regard, which I made known in Paris and Bonn last December, is that Canada will not consent to any arrangement whereby any triumvirate of nations shall determine the policies of NATO.

The President has made it clear that in his talks with Khrushchev he will not regard himself as a spokesman for the West, and that he will not be negotiating. His stated purpose is to explore Mr. Khrushchev's thinking and to find out for himself whether Mr. Khrushchev has any proposals which could reduce tensions and lead to beneficial future developments.

The exchange of visits between President Eisenhower and Premier Khrushchev may not settle the question of a summit meeting. These are essentially bilateral talks which I hope will create a situation more conducive to negotiation. The Canadian Government has not changed its view that progress towards settlement of major international problems might be facilitated by a summit conference.

While long range processes are going forward, certain current developments are encouraging. The fact that both the United States and the U.S.S.R. have undertaken to continue for the time being their suspension of nuclear tests is of importance, and gives some confidence that progress can be made toward an international agreement with adequate safeguards.

Group for Disarmament Discussions

Some progress is being made on the long-standing problem of disarmament. As was announced on September 7, the major powers have been able to agree on the constitution of a new group to conduct disarmament discussions. This group will consist of ten countries. The five Western nations will be the United States, United Kingdom, France, Italy and Canada. Countries associated with the Soviet bloc will be the Soviet Union, Poland, Czechoslovakia, Roumania and Bulgaria.

Although the new group is being created by the four powers, it will have the advantage of the services of the United Nations Secretariat and will report to the United Nations Disarmament Commission, and through it to the General Assembly and the Security Council.

In the very near future the four major powers will inform the other members of the existing 82-member Disarmament Commission of this conclusions in this regard, and will indicate their intentions of conducting through the new group further discussions on the problems of disarmament.

It is worthy of note that the Soviet Union, after refusing for many months to participate in disarmament discussion, has now agreed to join with a representative group of interested nations in tackling the tremendous problem of reducing the armaments burden.

The extensive review which Premier Khrushchev made available to "Foreign Affairs" magazine in its last issue regarding the Communist position on recent international development is of interest. As seen through the prism of Marxist ideology the present situation assures that Communism will ultimately triumph in its competition with the Western way of life. The West does not accept or share his opinion. We place our faith in the strength and resilience of freedom as practised in the Western democracies, who will never resort to war as a means of achieving their objectives.

In his review, Mr. Khrushchev argues that war is not necessary and that the two systems must learn to live side by side. Mr. Khrushchev's words would have carried more conviction if they had been accompanied by new proposals for settlement of outstanding issues. Nevertheless, it is to be hoped that the subdued tone of his views can be taken as a sign that he intends to approach his discussions with President Eisenhower in an open-minded and receptive spirit.



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THE RULE OF LAW IN INTERNATIONAL AFFAIRS

Notes for an address by the Prime Minister of Canada, Mr. John G. Diefenbaker, to the annual meeting of the Canadian Bar Association, Vancouver, B.C., on September 4, 1959.

Politics and law have been closely associated in the history of Canada, and I am one of those whose life has been divided between law and public life. That many lawyers take part in public affairs in all spheres -- national, provincial and municipal -- and have done so, needs no proof. However, it is of interest that of Canada's thirteen Prime Ministers since Confederation, nine have been lawyers. By way of comparison, in the United Kingdom during the same period of time only two of its Prime Ministers have been members of the legal profession.

"Politics and law" are in natural association, as are the words "law and order". If the sequence is reversed in "law and order" to "order and law", the true relationship that exists between politics and law is revealed. Politics is the science of organizing social energies for effective group life, and law represents the institutions and rules by which that organization is made formal and given permanence and regularity.

An important subject of discussion at this Convention has been the Rule of Law. While some of the issues were considered by a distinguished panel this morning, I intend to discuss some international problems connected with the Rule of Law which have challenging implications, and for which lawyers have a responsibility to provide the answers which are juridical as well as political.

International Problems

There are at least five main categories of international problems to which law and lawyers can address the best of their experience and resources, and for which sound legal and political answers are needed.

First, there is the fundamental clash of ideologies between the Sino-Soviet peoples and the non-communist world, and the effect on foreign policy and on the behaviour of all states within the framework of a stable international system, as the world alternates between periods when the communist world is engaged in violent verbal and aggressive offensive and the often simulated posture of peaceful negotiation.

Secondly, there is the emergence of many colonial peoples to statehood, those "new sovereignties", sensitive and urgent in a search for a place in the stream of history.

Thirdly, there is the "population explosion", with its incalculable effects in this and the next generation on international society everywhere in the world.

Fourthly, there are the scientific break-throughs that, by the manufacture of thermo-nuclear weapons and the increasingly successful explorations in space, have altered forever the shape of warfare and the very perspective of this planet.

Finally, there is a search for international institutions that will help to resolve old and new conflicts between states and peoples, and provide a new framework within which international co-operation may be encouraged and directed for common security, welfare, and international peace.

Canada's Contribution

Canadians have made important contributions to international law and international legal developments, including the Canadian proposals on the Law of the Sea at the Geneva Conference last year which would limit sovereignty to 6 miles and add a zone of 6 miles for fisheries' control; and the measurement of down-stream and up-stream rights and benefits as between states sharing a common boundary river, as for instance in the case of the Columbia River. These have had a marked influence on international thinking. Furthermore, there has been advanced research into the legal problems of outer space, in particular at the McGill University Institute of International Air and Space Law.

Time for a Choice

This moment of history presents a point of departure to a new epoch, and possibly a point of no return. As new forces are unleashed which mean either world destruction or the realization of man's ideals and longings, the international community of nations is presented with a choice, direct and simple, which can no longer be postponed. It is a choice fundamental to society itself, and even to the survival of mankind. It is the choice between the highway of the Rule of Law and that uncertain path which has no laws to guide or control the selfish and arbitrary

wills of men or to resolve the conflicts which beset them. The future for which mankind strives can be attained only in peace through law, each being the function and product of the other.

Law or Disaster

In the domestic legal system of states it is the function of the Rule of Law, and the courts which apply it, to regulate the conduct between man and man -- by proclaiming what is permissible and what is not, by prescribing principles or norms of human behavior and thus preventing disputes from arising, and by adjudicating on and settling conflicts when they arise.

In the larger sphere of the conduct and relations between state and state, the creation and interpretation of law must regulate relations between states, not by any one or several states, but by all states in common consensus and will.

The application of the Rule of Law internationally is the fundamental basis and assurance of peace, and one of the cardinal messages which lawyers throughout the world must carry to mankind is that the Rule of Law is synonymous with peace.

Forward steps have been taken towards this objective for many generations, and in this century one of the significant yet undramatic developments in the relations of state and state has been the evolution of the Rule of Law in the international sphere, as formulated and laid down by the International Court of Justice and its predecessor, the Permanent Court of Justice.

The history of international arbitration and of the pacific settlement of disputes in this century has shown that if a world order with the Rule of Law as its base is to be brought into being, there must be something more in existence than the machinery for settling international disputes.

International Court of Justice

The fifteen judges of the International Court have been men of capacity and ability, but only thirty contentious cases have been submitted to the Court, several of which were stricken from its list for lack of jurisdiction, and in addition ten advisory opinions have been given.

Eighty-five states are parties to the Statute of the International Court, of which thirty-eight states have accepted the compulsory jurisdiction of the Court. Of these, thirteen have accepted unconditionally, or subject only to the condition of reciprocity; nine have accepted subject only to reciprocity, and with respect to those disputes which arose after the declaration came into being; sixteen states have more restrictive conditions.

Conditions Made by States

The major reservations of Canada have to do with those disputes arising between members of the Commonwealth of Nations and those arising out of the Second World War. The United Kingdom, Australis, New Zealand, and South Africa have generally the same restrictive conditions; Canada applies several other reservations which are of no particular importance.

Forty-seven states, including all the communist states, have not accepted the compulsory jurisdiction of the Court, and few of the newer member-states of the United Nations, particularly in Asia and Africa, have taken action under Article 36, the section dealing with jurisdiction of the Statute of the International Court of Justice. While positive progress has been made to bring about the application of Rule of Law internationally, it is clear from the stage of development existing in the domestic systems of states that it will not be attained until all states accept compulsory jurisdiction of the Court over all legal disputes between state and state.

Recently there have been several signposts which offer evidence of a resurgence of interest in the Court, and there is reason to feel hopeful that the international community of nations will tend to move gradually towards the universality of the Rule of Law.

As an example, the United States' acceptance of the compulsory jurisdiction of the Court is subject to a reservation which excludes from the Court's jurisdiction matters falling within the domestic jurisdiction of the United States, as determined by the United States, and I emphasize the words.

The Charter of the United Nations specifically provides that:

"Nothing in the Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the members to submit such matters to settlement under the Charter."

Because of this provision it might be argued that such a reservation by the United States does not detract from the compulsory jurisdiction of the Court. Such is not the case, as there are two classes of domestic jurisdiction reservations -- one which leaves it to the Court, as does Canada, to decide what is a domestic matter, and the other which reserves the right to the state to decide the question.

Some consideration has been given in the United States to bring the American reservation into line with that in effect in Canada, and a resolution to this effect has been tabled in the United States Senate.

In July, France, which until then had a domestic jurisdiction clause of a like effect to that of the United States, formally renounced the power which it had reserved to itself and will hereafter leave it to the Court to determine.

It is of interest that in 1957 the United Kingdom decided to exclude from the Court's jurisdiction such disputes as, in the opinion of the United Kingdom Government, affected its national security, and in November 1958 deleted the reservation in this regard.

Western nations, indeed all peace-loving nations, by expanding the compulsory jurisdiction of the International Court will be doing their part as architects of a world legal order, with the Rule of Law as its basic pillar.

Jurisdiction is the key, the sine qua non, for the existence of the universal Rule of Law -- and by that I mean compulsory jurisdiction. For this reason, the goal of all peace-loving states should be directed to bring about the acceptance of the compulsory jurisdiction of the International Court of Justice by the members of the international community of nations as a whole. That this is still far in the future must be admitted, as the communist world systematically continues to ignore the Court.

Need for Stronger Court

The Court, as the judicial arm of the United Nations, needs to have the opportunity to play a larger and more dynamic role. What I wish to emphasize is that anything which the international community of nations does to strengthen the International Court of Justice will strengthen the Rule of Law itself, and as a preliminary step the General Assembly of the United Nations might well give consideration to a comprehensive study of the wider use of the Court by all member states.

By upholding the sanctity of the Rule of Law, by promoting respect for the law, by vigorously doing all we can to achieve and maintain freedom under the law, lawyers will be contributing to the realization of the new order where peace and the Rule of Law are inextricably linked, where peace is secured through law, and where law will become the true and final security for all mankind.

International Police Force

The establishment of an International Police Force would be a further step in the maintenance of the Rule of Law internationally. This has been a perennial subject for discussion among international lawyers since the days of Grotius. It was advocated by Castlereagh at the Council of Vienna. It was considered at the Versailles Conference in 1919 and

during the days of the League of Nations. At San Francisco in 1945 mankind believed that it was about to be mobilized.

An International Police Force is still the hope of an assured world peace, but to become a mighty instrument in the maintenance of the Rule of Law it has yet to receive more than vocal approbation among world leaders.

Jurisdiction in Outer Space

There have been many times in history when man has stood on the threshold of a new age, but none to surpass the present, as man is poised to explore and to exploit the universe of outer space. This is the age of nucleus -- that infinitesimally minute world, held together by forces so titantic that whether released in bombs for death or reactors for life, they have changed man's thinking and his future. Considerable progress has been made in the control and peaceful use of atomic energy through the establishment of the International Atomic Energy Agency of the United Nations, through the creation of "EURATOM" for the Community of Six in Europe, and through a number of bilateral agreements as well.

To facilitate the peaceful interchange of atomic energy information and the supply of the necessary raw materials and know-how is an immediate problem, so that mankind can benefit from the almost limitless but manageable power that nature has stored in the nucleus.

The scientific break-through which, when linked with nuclear energy, spells either heroic adventure or total disaster for mankind, began with Sputnik and has developed into an international race to launch a human being into space.

The question of jurisdiction in outer space and of the control of celestial objects such as the moon, which scientists believe is but a generation away from discovery and physical exploitation by man and states, has brought problems which deserve and demand early solution.

Canada, and other nations of the Commonwealth, have been willing to enter into an agreement that would jointly control outer space missiles and satellite developments, but the U.S.S.R. is not willing to do so.

Canada has advocated that objects projected into outer space must be for peaceful or scientific purposes.

I have advocated:

- (a) the setting up of an international space agency, named by the United Nations General Assembly, with inspection and control powers to police all operations, to assure that jurisdiction of the atmosphere shall

be vested in the United Nations to the end that outer space shall be used for scientific and peaceful operations only; and,

- (b) that an international convention should be established to assure that in the launching of any satellites or rockets and projectiles, previous notifications should be given, the information and observations secured being made mandatorily available to all nations.

The Paris Convention of 1914, as confirmed in 1944, whereby every state should have complete sovereignty over the air space above it, has been outgrown by the advances of science.

The time has come when a declaration should be made that every nation, however weak, should have the same territorial rights in space as the powerful.

Last autumn in the General Assembly there was general agreement on the need for an international group to make an initial examination of the scope of the problem, and on the terms of reference appropriate for such a group.

It was agreed that such a survey should include:

- (1) The existing international activities and resources;
- (2) The areas and programmes of international co-operation which could appropriately be undertaken under United Nations auspices;
- (3) The future organizational arrangements to facilitate international co-operation;
- (4) The nature of the legal problems which might arise in connection with the exploration of outer space.

Committee on Peaceful Uses of Outer Space

However, the composition of the group proved to be a source of controversy which could not be resolved. A group of twenty nations, including Canada, proposed the creation of an ad hoc committee on the peaceful uses of outer space, with its membership based on scientific competence, with due regard to geographical distribution.

The Soviet approach has been a political one and calls for equal representation of the Soviet bloc and the Western world, with the addition of certain "neutrals". The Assembly approved the composition of the group proposed by the West, which included the Soviet Union, Poland and Czechoslovakia, but these states refused to participate.

The ad hoc Committee was convened early in May with thirteen of the eighteen members in attendance (with India and the United Arab Republic not participating because of the absence of the Soviet bloc member). In July a report was produced

covering the four aspects of the problem outlined in the terms of reference.

While it is regrettable that the communist states have not joined, it is gratifying that co-operation in specific practical projects related to space research is continuing in various countries.

Canada has shared its facilities at Churchill with the United States for part of its rocket programme during the International Geophysical Year. Canadian scientists provided the instrumentation for two high-altitude experiments carried in United States rockets during that period, and intend to instrument a satellite to be placed in orbit by a United States rocket about 1961.

However, action under United Nations auspices loses much, if not all, of its significance without the participation of the U.S.S.R.

Many questions arise, such as where does sovereignty over air space end, and where does outer space begin? How can the status of outer space be defined if it is not subject to the sovereignty of the individual state? Should not outer space, as in the case of the high seas, be regarded as res omnium communis, a thing belonging to all, and not subject to appropriation by any one?

Another problem, and here I am probing more deeply into the future, is the regulation of spacecrafts. What control should be applied to them? On what basis would liability be determined in the event of collisions and other accidents, what rules of safety should be followed?

It has been agreed that until more is known action should not be taken in attempting to discuss or to solve these problems.

From a speculative point of view, action may now be difficult, but the advance of technology is so rapid that it is now the common responsibility of all nations to concern themselves in order to ensure that the tremendous potentialities of outer space, both for good and for evil, shall be harnessed for the benefit of mankind and all nations, large or small, in the interests of peace.

Ultimate Objectives

Mankind's ultimate objective must be to bring about a regime which will ensure that outer space will be used for scientific and peaceful purposes only. This objective is closely connected with the need for general disarmament, a need which makes Soviet collaboration and co-operation indispensable.

Mr. Justice Holmes, when speaking of the law, declared that: "A man can live as greatly in the law as elsewhere". Mankind cannot survive elsewhere than in the law, and under the law.

The moral and intellectual "most" from everyone is demanded if dangerous international tensions are to be resolved. No profession has a greater part to play in finding the way to peace under law than lawyers.

In the stabilizing influence of the law and in the maintenance of the spiritual things of freedom, peace with justice will be attained. In the strict regard by all nations to international obligations, and in a mutual desire to co-operate by all nations, mankind will be able to take the first faltering steps to disarmament and to ultimate peace.

It has been said of this generation of the cold war that it moves "beyond the tower and the abyss" -- the tower being the high heights to which standards of men everywhere in the world can be raised if mankind wills to take the pathway of peace; the abyss is the bottomless depths to which mankind will fall if we fail to solve world differences by specific means and armed conflict takes place, with the arithmetic of scientific destruction being almost limitless.

There will be those who will contend that blueprints for peace have been drawn in the past, and have failed. They will tell you that in 115 years there have been 73 wars -- that in three centuries there has been a world war every twenty-three years. All these things are true. Pacts in themselves are not sufficient, and will only succeed when justice under law and the pacts are builded together, with world-wide acceptance of the International Court.

I believe that, beginning with the world-wide acceptance of the International Court of Justice and, in the process of time, an international control over outer space, ultimately an International Police Force can be established. Then, and only then, will peace under law be attained.

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/30

CANADA'S VIEWS ON WORLD PROBLEMS

An address by Mr. Howard Green, Secretary of State for External Affairs, to the fourteenth session of the General Assembly of the United Nations, New York, on September 24, 1959.

In opening my remarks today, Mr. President, I wish to congratulate you upon attainment of your present high position and to assure you that Canadians have the utmost confidence in your judgment. Down through the years, representatives of our nation have admired your devotion to the aims and ideals of the United Nations, and we consider ourselves fortunate to have a presiding officer of your experience and achievements. Your record is another example of the splendid contribution leaders from the Latin American countries have made and are making to the success of this world organization.

In this general debate, I do not intend to discuss all of the important problems in which Canada is interested. Instead, I shall deal with only those on which my Government believes the Canadian position should be made known at once.

Disarmament

One problem that is of universal concern is disarmament, a problem the military, political and psychological complexities of which have so far defied solution. Yet we must find a solution. The risk of war arising from crises continues to grow. Technological advances have increased immeasurably the destructive power of new weapons and have shortened to minutes the period of warning of an attack. Nuclear warfare means annihilation. Now, as never before, it is imperative that all states agree on measures to place these new weapons under effective control and progressively to outlaw them, and at the same time to limit and control conventional arms.

I listened with much interest to the disarmament plans outlined last week by Mr. Selwyn Lloyd for the United Kingdom and by Mr. Khrushchev for the U.S.S.R. We shall of course want to study these plans carefully and shall reserve detailed comments on them for a later occasion. For the moment let me say that I

am entirely sympathetic with the general objective stated by Mr. Khrushchev's proposal - namely, a world without arms. We would all like to see general and complete disarmament. However, we are looking forward to more detailed proposals designed to this end, particularly with respect to control.

The central question of disarmament turns on the ability of states to find a basis of mutual confidence and this is realistically reflected in Mr. Lloyd's proposals. That confidence must be such as to enable states to strike a balance between the obvious advantages of liquidating the burden of armaments, and the political and military risks of reducing defence against aggression. This balance can be reached, I believe, only through supervised disarmament. There is therefore an inseparable relationship between disarming and control and this must be reflected in any practical plan. The two must be negotiated in parallel and must be put into effect together. Without control, the mutual confidence required to disarm would be lacking, particularly in a time of great political and ideological conflict. Without disarmament, control of course would be irrelevant.

I was gratified therefore to hear Mr. Khrushchev say that his Government was - and I quote - "in favour of strict international control over the implementation of the disarmament agreement when it is reached." He added, however, - and again I quote - "we are in favour of genuine disarmament under control but we are against control without disarmament." He went even further and suggested that the Western powers had tried to obstruct genuine disarmament by advancing demands for control more far-reaching than were necessary to ensure implementation, and more far-reaching than they themselves were prepared to meet. I cannot accept this suggestion. The record does not bear out the charge.

Mr. President, Canada's unique geographical position as a neighbour of both the United States of America and the U.S.S.R. gives Canadians a special interest in disarmament. We believe that this goal should be pursued with determination and with patience, using whatever forum is most appropriate, whether in the United Nations or outside. Last year, for example, we participated in technical studies concerning the discontinuance of nuclear tests, and in discussions on the problem of surprise attack.

In the latter discussions we consistently asserted, as my Prime Minister did last week, our readiness to open Canadian territory to inspection, particularly in the Arctic area, under an equitable and reciprocal system. We continue to hold the opinion that such a system would do much for the restoration of international confidence.

With a view to taking a fresh look at some of the problems of disarmament, the United States of America, the United Kingdom, France, and the U.S.S.R. recently announced the establishment of a 10-power negotiating committee, the creation of which has been noted by the United Nations Disarmament Commission. Consistent with our policy of using any forum appropriate for disarmament negotiations, Canada accepted an invitation to participate in this committee. This body may not be linked with the United Nations to the extent that many nations would prefer, but I wish to emphasize that the Canadian Government has assumed this responsibility in the belief that it will facilitate direct negotiations among the great powers. The activities of the 10-power committee are intended not to replace but to supplement the responsibilities of the United Nations in the field of disarmament.

With respect to the link between this committee and the United Nations, it is our view that it would be in the interest of all concerned not only that the committee report from time to time to the United Nations but also that the United Nations, probably through the Disarmament Commission, discuss the progress of the Committee's work; encourage its activities; and evolve further ideas in this general field. In this way those members of the United Nations not participating in the 10-power committee would have an effective means of expressing their interest in its objectives. Clearly, the middle and smaller powers must have an opportunity of being heard; for disarmament is of the deepest concern to all mankind. In Canada's work on the committee, we will at all times keep these points in mind.

It is my understanding that this committee will begin work early in 1960 and I hope that its negotiations will be extended in an orderly manner to a broad range of measures relating to nuclear and other modern weapons and to conventional weapons and armed forces. We welcome the fact that the great powers already are preparing proposals for the committee and I may say that Canadian studies are also in progress.

One aspect of disarmament from which we can all draw some encouragement is the fact that there now exist 17 agreed articles of a draft treaty on discontinuance of nuclear tests, being negotiated by the United States of America, the United Kingdom and the U.S.S.R. The Canadian people are unanimous in their wish to see an end to nuclear testing. It is true that the principal difficulties have yet to be resolved; again they centre on the question of control.

Whatever the solution, it is of the utmost importance for the three nuclear powers to reach agreement on this central question of the control system. Unless this problem can be solved in respect of the relatively narrow and specific question of nuclear tests, we can hardly expect early progress in other aspects of disarmament where verification and inspection of even greater complexity are likely to be required.

Outer Space

Another aspect of disarmament which should prove susceptible to early negotiation is disarmament in relation to outer space. Two years ago, my Prime Minister urged that the passage of time should not be allowed to bring to the problem of outer space the complications which failure to reach agreement on nuclear weapons has brought to that problem.

Today the pace of scientific and technological progress is staggering to the imagination. An event took place a few days ago which lends further urgency to the need for international consideration of the many problems which may arise as man continues his penetration of outer space. I refer to the tremendous feat of the U.S.S.R. in hurling a dead weight of considerable magnitude from the earth to the moon. This was a magnificent achievement which is deserving of the greatest praise.

It does, however, emphasize the urgent necessity of having the international community establish adequate regulation where none exists. In particular, early consideration must be given to establishing rules determining the limits of national sovereignty in space.

The Ad Hoc Committee on the Peaceful Uses of Outer Space, which was set up at the last session, has made a useful start in considering the scientific, technical and legal aspects of co-operation within the United Nations. Canada served on that Committee and provided the chairman for the Scientific and Technical Committee whose work forms the basis for a large part of the report we shall be considering. Our great regret is that one of the two nations which has the greatest accomplishments in space technology did not participate in the preparation of this initial report. I do not think that report contains anything to which the U.S.S.R. should take exception.

We trust that further arrangements to pursue these matters will have the co-operation of the Soviets. Their continued non-participation cannot fail to limit the value of any proposals that may be considered. Canada will of course continue to co-operate to the fullest extent in any international consideration of these problems, whether this be at the inter-governmental level as in the United Nations or in the highly important area of international co-operation among scientists.

Radiation

I should like now to touch upon another question of vital importance - the hazards resulting from the addition of man-made radiation to that which already occurs in nature. The United Nations Scientific Committee on the Effects of Atomic Radiation, in its report this year to the General Assembly, has outlined what appears to my Delegation to be an admirable and useful programme for the next few years.

All mankind is concerned that knowledge of the biological and other effects of radiation and of the present extent of the hazard should be enlarged. We must also realize that even if the nations agree to stop testing nuclear weapons, the problem of radiation will not vanish. The large and growing use of radiation in medicine; the atomic era in industry with the possibility of accidents, for example in power stations soon to become a familiar sight in many lands; the risks connected with the disposal of radioactive waste; all these and similar perils unforeseeable now, will be with us henceforth. They will present complex problems demanding constant observation, study and precaution.

There is an urgent need to fill the substantial gaps which continue to exist in our knowledge of the phenomenon of radiation. In a matter which is of such concern to human life and future generations, all member states have an equal interest in ensuring that research into the biological effects of radiation is based on the fullest and most reliable information. For this purpose, Scientists must have at their disposal data on radiation from fallout and other sources which would be as nearly as possible world-wide in its scope and collected by standardized methods.

All member states can make a vital contribution towards this objective by co-operating to the fullest possible extent in the collection of data and in remitting it to a central agency for collation. The collated data would then be available to governments and to scientific and medical research institutions for investigation of the biological effects and industrial hazards of radiation. The pooling in turn of the results of such research through the United Nations Radiation Committee can make a further valuable contribution to the world's collective knowledge of this common problem.

We believe that mankind would derive relief from anxiety if the nations of the world were to acknowledge an obligation to do what they can to ensure that the world-wide physical measurement of the intensity and distribution of radiation is made as accurate and complete as possible.

At this session, the Canadian Delegation intends to submit proposals which we sincerely hope will encourage the world-wide collection of more accurate data on radiation and will provide for its central collation.

Economic and Social Matters

I turn now to certain economic and social questions.

First I should like to re-emphasize my country's concern for economic development in less-developed areas.

Much good work has already been accomplished in this field both inside and outside the United Nations. A great deal more remains to be done for which we believe vigorous action is required to accelerate the social and economic progress of people throughout the world.

The Canadian Government has always strongly supported multilateral United Nations economic assistance programmes. We will be providing our share of the increased resources of the International Monetary Fund and the International Bank for Reconstruction and Development. In the past year we gave \$2 million to the expanded Technical Assistance Programme and another \$2 million to the newly established Special Fund. Canadian Delegates participated actively in the establishment of this new organization. My Government's contribution in the first year of the Funds operation indicated our confidence that it will become an important source of assistance in fields essential to the integrated development of less-developed countries.

Members of the United Nations will be aware that, apart from the multilateral programmes under the aegis of the United Nations, other substantial and useful aid programmes exist. The Colombo Plan is one of them with which my country has been happily associated. We have found that these plans, in which the donor and receiver countries work in close co-operation, have had good results. The impetus and the prime effort must come from the recipient; only then can a healthy relationship exist between donor and recipient.

My Delegation will at this session, as in the past, work closely with delegations, both from recipient and from donor countries, to continue building up the sound patterns of economic co-operation which have been laid down in the United Nations in the past years.

World Refugee Year

Mr. President, one of the world's most pressing social problems is that of refugees. This is World Refugee Year during which most member states are pledged to make a determined assault on the problem.

Delegates know the active interest Canada has always taken in the plight of the millions of unfortunate people uprooted by the Second World War and by political unrest during the post-war years. Many scores of thousands of them have made a new start in Canada and have enriched our national life.

In addition, Canada has for many years contributed to programmes to alleviate the distressing conditions in which refugees, through no fault of their own, are compelled to exist in camps throughout the world. We have made substantial financial contributions to the United Nations Relief and Works Agency for Palestine Refugees, to the programmes of the High

Commissioner for Refugees, and to the Far Eastern operation of the Inter-Governmental Committee for European Migration. Canada can be counted on again this year to assume its share in maintaining these international programmes.

The essence of the World Refugee Year is, however, that governments should make an extra effort. In considering what special contribution would be most appropriate and effective, my Government noted that the camp clearance project of the United Nations High Commissioner for Refugees had been assigned a top priority. If increased efforts could be made, it appeared possible to close the European camps and thereby terminate one entire United Nations refugee programme.

We are all aware that the remaining population of these European camps contains a high proportion of people who are difficult to relocate elsewhere because they fail to meet the medical regulations of countries which might provide a new home. A great many of these so-called "hard core" cases are suffering from tuberculosis; in many instances whole families have had to face the prospect of remaining indefinitely in the camps because one member had contracted that disease.

I am pleased to announce, therefore, that as its special contribution to the World Refugee Year the Canadian Government will waive a normal immigration requirement and admit to Canada a substantial number of tubercular refugees and their families. This group will be brought to Canada and treated in sanatoria at Canadian expense. Furthermore, a family unable to support itself while a member is under treatment will receive maintenance payments. It is my hope that the first refugees selected will reach Canada by the end of this year.

In this undertaking the Canadian Government will have the co-operation of provincial governments and the active support of a private organization, the Canadian Committee for World Refugee Year.

I am aware that a number of other members of the United Nations have outlined imaginative plans to receive handicapped refugees. Our collective efforts should have the effect of easing or bringing to an end the disproportionate burden which some European countries have carried since 1945. Above all, Canada welcomes the occasion offered by World Refugee Year to give a group of human beings, whose plight is particularly tragic, an opportunity to rebuild their lives in dignity and happiness.

United Nations Emergency Force

One other item on the Agenda which is of special interest to Canada is the UNEF. This force has for another year admirably carried out the tasks set for it by the General Assembly. Canadians are proud of the part which their armed forces are playing, with those of other contributing states, in attaining this satisfactory result.

In view of the relative quiet which now prevails in that area some member states might be of the opinion that the time has arrived to curtail UNEF's operations. I think we should bear in mind, however, that the reduction of frontier incidents between the United Arab Republic and Israel is due in large measure to the presence of the force. It would therefore be unfortunate if the contribution of UNEF to more stable conditions in the area should now be jeopardized by a premature limitation of its operations.

All member states have an equal interest in ensuring the continuing effectiveness of the Force. We support the efforts of the Secretary-General to consolidate its financial position. We hope these efforts will receive a degree of co-operation commensurate with the political significance of the UNEF operation and the collective responsibility of all members to maintain international peace and security.

Laos

Finally, Mr. President - I turn to conditions in the Far East. May I say that in our view a notable effort was made at the Geneva Conference in 1954 to establish equilibrium in Indochina. It was an effort at peace-making fully compatible with the United Nations Charter. The principles underlying the Geneva Agreements, in particular the principle of non-alignment, should be respected in order to lessen the tension existing in that troubled area.

The United Nations for its part has an important role to perform, not -- as has been charged -- in upsetting the regime established at Geneva, but in supplementing it with arrangements essential for the long-term stability of the area.

It seems to us that the United Nations must look ahead to this long-term future. True, we have in Laos at present a sub-committee set up by the Security Council and we must await its report upon the facts of the situation there. However, the very presence of this United Nations body seems already to be having a pacifying effect.

There exist in that part of the world a number of newly-established states which are finding their feet as nations in conditions of international tension. These new nations have many needs but by far the greatest are peace and other conditions for material development. We believe that the United Nations has a proper and legitimate interest and concern in this area in which a number of its members are located, including Laos.

Admittedly the efforts of the United Nations to help preserve peace may be seriously hampered by the attitude towards the organization of certain non-member states directly interested in the problem, but we must hope that such states will as time goes on come to recognize the useful contribution the United Nations can make.

For all these reasons, should the United Nations not now find a way to express its continuing interest in Laos? Such an approach, if it were welcome to Laos, could make a most valuable contribution to stability. We, for our part, have come to the view that some appropriate and continuing expression of United Nations concern is desirable, not only in the interest of the people of Laos, but also in the general interest of world peace and security.

In conclusion, Mr. President, I believe this session of the Assembly can go far to bring renewed hope to the people of all lands; they desire, above all else, permanent world peace. We meet in a period when there is some diminution in world tension - largely due to the friendly exchange of visits this year between the leaders of great powers. These visits could be the starting point on a new road which would lead away from all the friction and distrust which have developed since the Second World War. Whether or not they do lead in that direction may very well depend, in large measure, upon the words and actions of the delegates to the present Assembly - and I am sure that we will not fail to meet this great challenge.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/31 LOOKING AHEAD IN INTERNATIONAL AFFAIRS

Notes for an address by Mr. John G. Diefenbaker,
Prime Minister of Canada, at the University of
Saskatchewan, Saskatoon, on September 29, 1959.

Fifty years after the foundation of this University, following the kaleidoscopic changes of peace and war and cold war, the peoples of the world have within the last few weeks gained new hope that the benefits of science, medicine and education will be used to raise man's standards everywhere in the world, and that in Asia and Africa the eternal serfdom of poverty will end.

Has mankind learned its lesson? Will the bounties of science and learning be used for peaceful purposes? Will some of the tens of billions spent each year for armaments be used for peaceful purposes? The world is passing through a period which, when the story of this century is written, may well be regarded as one of the great watersheds of human history.

Sir Wilfrid Laurier looked ahead when he laid the cornerstone of this University -- may I follow his example?

The first penetration into outer space, the first contact with the moon, the harnessing of nuclear power -- these and other unparalleled scientific achievements are taking place in a world depressed by fear, yet uplifted with hope for the future. Humanity's hopes alternate between danger and promise. Are the results of technological advance to be the bitter fruits of war or the fragrant comforting breath of lasting peace?

Differences of frightening extent divide the major powers. In Europe, the German problem remains intractable, although as the President of the United States said yesterday, Soviet threats on Berlin have ended. In China, a new power of the first magnitude is moving mysteriously and threateningly on to the whole scene. The agenda of the General Assembly of the United Nations is crowded with issues testifying to the complexity and tension of relations between states.

Fourteen years after the last World War, progress towards a disarmament agreement is still plagued by the disease of mutual suspicion and international rivalry. It is an age calling forth every quality of mind and sinew. It is an age calling for steadiness and common sense. It is a time neither for dire foreboding and panic, nor for optimistic hopes. Recent months have been marked by a trend which I believe gives ground for encouragement.

The Foreign Ministers of the major powers, including the Soviet Union, held two conferences earlier this year, and while in concrete terms the results were disappointing, in psychological terms they were beneficial. The practice of negotiation was reinforced. The trend towards calm and reasoned discussion in place of threat and bluster was strengthened. The fuse of the explosive Berlin crisis was dampened.

Personal Diplomacy

The world has just passed through a further phase. The process of personal diplomacy, in which Prime Minister Macmillan of the United Kingdom played an originating part with his visit to the Soviet Union in the spring of this year, has now begun to unfold.

With the background of international disagreement, the leaders of the United States and the Soviet Union have embarked on an historic effort to replace mutual suspicion with mutual understanding. Premier Khrushchev's visit to the United States has been an epochal one. The question which has now to be answered is whether Soviet communism will take a militant and warlike form, or whether Mr. Khrushchev's professions of peaceful co-existence can be taken at their face value. Do Khrushchev's words constitute a colossal hoax, or are they evidence of mankind's hope of a continuing easing of tension?

What of the concrete results as far as they can now be assessed? The determination that the Berlin question be settled by peaceful negotiation is a welcome and significant advance.

Disarmament

There are signs of progress on disarmament. In his address to the United Nations, Mr. Khrushchev advocated general disarmament of all states. He proposed that within four years all armaments and weapons, except those needed for internal police purposes, should be destroyed.

These proposals of Mr. Khrushchev have generated world-wide interest because they find a response in the deepest instincts of all men who love peace. In practice, however, it should be noted that these proposals would achieve no more radical objectives than those which the Western powers have proposed in the past, particularly between 1954 and 1957.

As an alternative to his proposals for total disarmament, Mr. Khrushchev offered a number of more detailed suggestions. They have been put forward before, and have not provided the basis for agreement. They lack an element which is a precondition of any successful disarmament agreement -- mutual willingness to accept appropriate measures for inspection.

Disarmament without inspection would be a fateful and tragic course for the free nations. The touchstone of success for any disarmament plan must be the system of verification that goes with it. In his address on returning to Moscow yesterday, Mr. Khrushchev indicated that the Soviet Government might be prepared to come some way towards meeting this basic requirement.

Canada has a special interest in the disarmament problem since this country is a neighbour of the Soviet Union. In the past the Soviet Union has expressed concern at the possibilities of a surprise attack over the polar regions, and has even implied that Canadian territory might be used for aggressive purposes.

As Prime Minister, I have repeatedly stressed, since September 1957, Canada's readiness to open all or part of her territory to aerial and ground inspection, providing that the U.S.S.R. grants the same rights on an equitable and reciprocal basis.

With other members of the United Nations, and in particular as a member of the new ten-power disarmament group, Canada will join in examining the Soviet proposals. Canada is prepared to contribute any honest endeavour to lighten the armaments burden and free men's hearts from fear.

What can this and other universities do to further the attainments of peace? In many fields universities are better placed than governments or companies to turn the searchlight of knowledge on the mysteries and complexities of human relations.

Scientific and Cultural Exchanges

Canadian universities can encourage more scientific and cultural exchanges and visits between our country and the U.S.S.R. and other Iron Curtain countries. The expansion of student exchanges between various countries, particularly in Asia and Africa, will assure greater dividends in meeting the contest for the hearts of men than any other means, not excluding economic aid.

In recent years, exchanges of visits between Canada and countries of the Soviet bloc, particularly in the scientific, cultural and technical fields, have been increasing to a limited but promising degree.

The Canadian Government is in favour of broadening this interchange on a generally reciprocal basis throughout the spectrum of human activity -- not only because such exchanges will be of practical and mutual advantage, but also because a free international interchange of ideas and information is a goal of the highest principle to which Canadians generally subscribe.

An accumulation of personal contacts can do more than an infinity of words to communicate the quality of life, ideas and attitudes, through exchanges in science, culture and education, and in the course of tourist visits. Thus, so long as visits are positive in purpose and are of genuinely mutual interest and advantage, the Government is always ready to encourage such exchanges.

In September 1958, I advocated in Montreal, at the Commonwealth Trade and Economic Conference, the setting up of a system of fellowships and scholarships to be made available to teachers and students in 25 Commonwealth countries. This plan was accepted by the Conference, and recently, in July, a Commonwealth Conference on Education attended by leaders of education, including Dean Leddy, was held at Oxford, which laid the foundation for progress in this field. Under this plan, 1,000 students and teachers will be receiving, in the next few years, scholarships and fellowships provided by the nations of the Commonwealth, with Canada paying one-quarter of the cost.

The U.S.S.R. is stepping up its programme to provide students from Asia and Africa with schooling in the U.S.S.R. or other countries inside the Iron Curtain. The free world can do no less, if it is to meet the communist world competition to mobilize mankind which, whatever progress is made towards the maintenance of peace, will continue in intensified form for many years, if not generations.

There is a need in Canada for understanding the ways and thoughts of people in other nations. An understanding of the communist system is, of course, essential, and most universities in Canada make provision for such studies. But it would be shortsighted to concentrate on communism and neglect an understanding of other regions. A greater effort should be put forth to understand Asia and Africa.

The placing in Canadian universities of greater emphasis on Asian and African affairs, perhaps by setting up additional facilities in these fields, and by establishing chairs

for such studies in more universities, would not only qualify Canadians to understand Asian aspirations, but would also help to interpret the objectives and the faith of the free world to those nations which are coming now upon the world scene, and whose people are often confused as to what the West stands for in the struggle of ideologies.

Knowledge knows no frontiers in space -- and the application of knowledge cannot be circumscribed by meridians on a map or differences in political ideologies.

Exchange of Arctic Information

The solution of the scientific problems posed in the polar regions is a matter of common concern to the two countries which share most of the northern area of the world; a solution to which both have much to contribute and gain from a full exchange of information in this field. To this end the Canadian Government has officially proposed to the Soviet Government that Canada and the U.S.S.R. embark on such an exchange.

Mr. Khrushchev said in Washington that he was in favour of international co-operation in the field of northern development, which would imply that a positive response to the Canadian proposal for an exchange will be forthcoming from the Soviet Government.

The U.S.S.R. has been advised that Canada would be glad to send a delegation on northern matters to begin contacts and discussions. Such a delegation would include specialists in the fields of northern research and administration, probably under the chairmanship of the Minister of Northern Affairs, (Mr. Alvin Hamilton).

I also want to make it clear that Canada would welcome a delegation from the U.S.S.R. There is scope for further and continuing exchanges of scientific information in the administrative and operational techniques which have proved effective in meeting problems in many fields of northern development.

I believe that these exchanges and discussions regarding "the frozen North" might well contribute in a constructive measure to bringing about a thaw in the cold war.

The University of Saskatchewan has done much for agriculture and in the opening of the northern areas for development. I suggest that northern research might become another field in its curriculum in the years ahead as the North will come into its own.

Peace can be achieved and freedom maintained if the same spirit which brought about the foundation of this University is translated into the world sphere. What is needed is co-operation among the peoples of the world. Freedom cannot be purchased or achieved without co-operation -- the price of freedom is co-operation and the prize of co-operation is freedom.

This University has contributed mightily to the welfare of this province, to the Dominion, and to the world. It must do no less in the next 50 years.

May this University always provide that education described in the words of Rabindranath Tagore, the Indian poet:

"Where the mind is without fear, where the head is held high, where knowledge is free, where the world has not been broken up into fragments by narrow domestic walls, where words come out of the depth of truth, where tireless striving stretches its arm toward perfection, where the clear stream of reason has not lost its way into the dreary desert sand of dead habit, where the mind is led forward in ever-widening thought and action."

These words exemplify my hopes for the future of the University of Saskatchewan as it enters on its second half century.

The motto of this University, "Deo et Patrie", signifies that each of us, we, its graduates, will endeavour:

"In thought (to have) faith;
In words, wisdom;
In life, service;
In death, courage."

STATEMENTS AND SPEECHES

INFORMATION DIVISION
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CANADA'S DEFENCE PROGRAMME

A statement by Mr. George R. Pearkes, Minister of National Defence, in the House of Commons on July 2, 1959.

... While I realize that in the time at my disposal I cannot cover all facets of defence, it is appropriate now to make some general remarks on our defence thinking. There are a number of factors that must be considered in introducing these estimates. The requirements deemed necessary for defence today will almost certainly be outmoded a few years from now. This, of course, is not solely a Canadian problem; it is a problem facing every country today. In our endeavours to solve it we should be ready and willing to consult with our partners in Europe and on the North American continent.

We must also be prepared to take advantage of our collective agreements so we can provide a better and more lasting peace within our economic limitations. By co-operating with our allies we are able to have an integrated, balanced force among all the allies, rather than attempting to have a balanced force within each nation. It has been obvious for some time that no country can stand alone or can plan its defence in isolation.

This is particularly true of Canada. Our geographic position and our varied interests require us to take part in collective defence. Therefore, when planning a defence programme we have to take into account many considerations, such as the changing threat which is brought principally by rapid developments in the technological field, particularly in the area of offensive weapons introduced into the armament inventory of a potential enemy, and also the very long time required to develop and produce modern defensive weapons systems and the ever-increasing costs of research development and production.

A full appreciation of the concept of modern war, which might come without warning, requires our forces to be trained, equipped and immediately ready for operations. Gone are the days when a protracted period of time might be devoted

to mobilization and the conversion of industry from a peace to a war footing. I have discussed the threat on previous occasions, but as all our preparations are linked with the appreciation of the threat it is perhaps worth while emphasizing some of the aspects of this part of our defence problem.

The evaluation of the threat cannot be completely reliable, since development of ways and means of waging war is of necessity one of the most closely guarded secrets of any country. In fact the record shows that there has been a tendency in the past to underestimate the achievements of the Soviets in this particular field. They have been particularly successful in concealing their intentions. However, the best assessment that we can make of the type and scale of attack against this continent is roughly as follows.

Nature of Possible Attack

For the present and in the immediate future the principal attack against North America would be by a relatively small number of long-range manned bombers carrying megaton weapons. These might well be augmented by a large number of medium bombers on one-way missions carrying nuclear weapons of varying yields. Russia might not care if she had to jeopardize these one-way mission bombers. In the early 1960's it is expected that the ballistic missiles will have reached a stage of reliability whereby such missiles will replace the bombers as the primary means of delivering nuclear weapons on North America. However, if an attack on this continent is made in the early 1960's it is considered quite probable that a variety of weapons would be used in an effort to saturate the defences and thus deliver a devastating attack.

This kind of attack would include ballistic missiles, both long and short range, land based or from submarines, as well as other nuclear weapons delivered by aircraft. As most of the major strategic targets are situated in the United States it is more than likely that certain targets in Canada would be attacked by bombers, although the primary threat would be from the ICBM's.

It is not possible to say with any degree of accuracy when the ICBM will be available in sufficient numbers to take on all the targets in North America, or when we can completely dispense with the requirement for defence against the bomber. In other words we believe we may have to face a combination of weapons, some delivered as ballistic missiles and others from manned bombers. Thus the possibility of attacks on Canada by manned bombers may extend into the mid-1960's, although the threat compared to the missile, would be on a diminishing scale.

Research and Development of Defence Equipment

The next point to mention is the lead time necessary and the risk involved in research and development of modern weapons systems. In giving evidence before a congressional committee this year the United States Secretary of Defence, Mr. McElroy, said:

We are living today in an era of extremely rapid advances, in science and technology. Some of the programmes which appeared to have had great merit only 12 months ago, now, in view of the progress made on more technically-advanced projects, no longer have the same importance or urgency.

We know that having started upon certain projects these have had to be cancelled before they were completed because of changed circumstances. From a study of research and development in the production of modern defensive equipment in the United States and the United Kingdom, and from our own limited experience, it is clear that it takes about nine or ten years to develop and produce modern highly sophisticated defence equipment. The cost of this development and production is becoming astronomical, and there is always the risk that the end product may arrive too late, that new methods have overtaken its development or that the enemy threat has changed considerably.

As an example of the costs and complexity of these development problems it was shown in the evidence produced before the United States Congressional Committee this year that the Bomarc missile has been under development for over eight years and has cost so far \$1.9 billion, while some \$3.7 billion has been expended on the Nike-Ajax and the Nike-Hercules missiles.

It is clear that a country the size of Canada cannot embark unilaterally on any of these long-range, technical and costly development programmes. We must of necessity take advantage of our position in the Western alliance and be able to obtain proven equipment from our partners to meet our limited requirements, thus avoiding the exorbitant cost of development and the risk of failing to produce the weapons in time to meet the threat. Thus, we are pursuing a policy of production sharing, the details of which have already been communicated to the House by the Minister of Defence Production.

Earlier I mentioned the changing threat and expressed some doubts as to whether or not we are in a position to forecast accurately this threat either in time or in character. This dilemma is further exaggerated by the trend of future development, which indicates a much more rapid technological advance in the weapons of offence than in the defensive type. It may be said with some degree of certainty that the weapons available in the next

few years can produce total destruction, but the defence against these weapons is a different story and that causes us great concern. This is one of the matters to which all members of the alliance must devote a great deal of attention.

As has already been announced, the Defence Research Board is working with the United States authorities in solving some of these problems of defence against ballistic missiles. These are problems in relation to tracking ballistic objects in and beyond the atmosphere. Some progress has been made in the field of detection of missiles, and a comprehensive communications system is being installed to give warning of the approach of the ballistic missiles. These detection stations to which I refer are not located in Canada, although Canada is providing facilities to assist in the communication and passing on of the information. It is expected that by 1961-62 a reliable detection and warning system will be in operation on the North American continent, but this is only one aspect of the problem.

The major question to be answered is how to intercept the ballistic warhead and destroy it before it reaches its target. This is a research and development project of very great technical and financial proportions, as these missiles will be travelling at several thousand miles an hour. The whole question of locating, tracking, intercepting and destroying the missile must be accomplished within the time of flight of the missile which may be as short as 15 or 20 minutes. The United States have given this project first priority and are putting a great deal of effort and money into a programme of defence against missile attack, but it appears unlikely that a satisfactory means of intercepting and destroying the missile will be accomplished within the next few years. In consequence, there may be a period between the time when the ICBM is available to a potential enemy and the time when some defence against the ballistic missile is possible.

As present there is no defence against the missile after it has left its launching pad, and several years may elapse before such a defence is operationally practical. Therefore this gap in our joint defence must be considered most carefully in our defence planning and in the steps we are taking to ensure our survival if unfortunately we are forced into war during this interval.

In view of the consequences of nuclear war the world is perhaps approaching the stage when the use of force as an instrument of policy to settle man's differences is no longer valid. It is hoped that some other means than armed conflict will eventually be found to settle international disputes. To this end we have demonstrated our willingness to lend assistance in order to help reduce tension in potentially explosive areas, thereby preventing the exploitation of force as an instrument of policy. Our troops assigned to the United Nations Emergency Force and to other peace-preserving teams are continuing examples of our interest in this direction.

Until general agreement on disarmament is reached, however, we must support the maintenance of an adequate deterrent to war to make it quite apparent to any would-be aggressor that he cannot use force as an instrument of policy without running the risk of devastating retaliation. It is necessary, therefore, for us to maintain our forces both here and abroad as part of the deterrent of the West. It is our fervent hope that these two primary elements of defence policy will succeed and that war will be averted. However, there is an element of miscalculation and misunderstanding that cannot as yet be removed from international relations; therefore it is prudent that these deterrent forces should be so designed that they will be of use to blunt any attack and to assist in survival.

Defence Policy

With these observations in mind I would now refer to Canada's defence policy. This policy was set forth in the paper on defence tabled at the end of April. This paper is intended to assist hon. members during these discussions. Anyone who has read it should have a better understanding of our policy and the state of our forces. The paper is not intended to be the instrument through which major new policy is announced. During the year changes in policy and the procurement of new equipment have been communicated to the House as decisions have been reached. The effects of these decisions are reflected in the estimates now before the Committee, and are detailed in the report.

The Committee will be aware of some of these important decisions, all of which, have been announced or referred to in the House during the past year; for example, the cancellation of the Arrow programme, adoption of the Bomarc missile and related semi-automatic ground environment; the acquisition of a surface-to-surface missile for the Canadian army; negotiations for the procurement of nuclear weapons announced by the Prime Minister on February 20 of this year; construction of six additional destroyer escorts; plans for a tanker supply ship to increase the range of the destroyer escorts and thus enable these ships to stay at sea for longer periods of time, and the granting of facilities at four Canadian air fields for SAC refuelling aircraft; the tasks assigned to the Canadian army with respect to survival operations and civil defence. Had a policy of withholding this information been followed and the first announcement given in the white paper it would indeed have been a sensational document.

The format of the report is not intended to copy what is known as a British white paper, although the latter does not always announce new policy. It will be recalled that in 1957 a so-called five-year plan was announced by the British Government with regard to defence. The details of this plan were, in general,

already well known in that country prior to the publication of the white paper. The British report on defence in 1958, however, had the following introductory remark:

This paper reports the progress made in implementing that policy.

That is, the policy which had been announced a year before. Recently another British white paper announced the details of some major changes and reorganization of the British army. No such changes have taken place here because they are not applicable to our organization.

In the report that I made available in April--and it is the type of report that requires some time to prepare--I endeavoured to set forth our defence policy, to outline how that policy was being carried out, to show the distribution of our forces and to explain briefly the estimates required for this financial year. Amidst all the verbiage that has been uttered since I tabled the report I can find but two or perhaps three points of criticism, and these all affect matters that require major policy decisions. I refer to the re-equipment of the air division in Europe, the defence against the manned bomber at home, and the defence against the ICBM of the future. I have already made mention of the problem of defence against the ICBM and I shall refer later to the defence against the manned bomber.

Air Defence

Hon. members will realize that a decision such as the re-equipment of the air division, involving not only millions of dollars but also our relations with our NATO allies, is not easily arrived at. At the time I tabled the report no such decision has been taken. Now, after the Government has had the opportunity of hearing the views expressed by General Norstad, the Supreme Allied Commander, Europe, and having taken into consideration many other factors including costs, I am in a position to announce that the Government has decided to re-equip the air division of the RCAF. The U.S.S.R. and its satellites have large, mobile and fully equipped forces deployed along the European border of Russia and in the territory between the Russian border and NATO Europe. These deployed and combat-ready Soviet forces would be capable of launching and sustaining for some time a major ground attack against NATO Europe. To prevent the overrunning of NATO Europe it would be essential to defeat enemy forces launching such an attack.

The mobility of enemy forces and the target-information requirements for the effective use of surface to surface missiles, with which the allies are now being armed, clearly indicate a need for aircraft which can penetrate the area between the combat zone and the Russian border for reconnaissance and for strikes on targets of opportunity such as advancing columns of troops.

The NATO military authorities have recognized this deterrent force requirement and have requested Canada to provide a strike reconnaissance aircraft contribution. This contribution requires an aircraft capable of flying at a comparatively low altitude at great speed in order that targets on the ground, either stationary or moving, can be located and attacked. While such action would only be taken after hostile ground forces had commenced operations in Western Europe, the presence of these aircraft in Europe would considerably enhance the value of the deterrent. The Government, therefore, has decided to re-equip the eight squadrons of the air division, now armed with the F-86 day fighter, with a strike reconnaissance aircraft. The four CF-100 squadrons are continuing in their present role.

The F-86, although in service for a number of years, is still an effective aircraft; but if we are to continue to support NATO a decision had to be made as to the role the air division would play in the years ahead. Some two years will elapse before new aircraft will come into operational service, and by that time the value of the F-86 will have diminished in comparison with other aircraft in operation. Failure to take a decision now, therefore, would jeopardize the effectiveness of the RCAF's contribution in the future and undoubtedly would cause serious alarm and harm to the Alliance. The decision now taken is in accordance with the recommendations of the Supreme Allied Commander and re-emphasizes the fact that Canada, as a member of the NATO Alliance, intends to continue to meet its agreed commitments as we have in the past, despite the heavy costs involved.

Provided the negotiations which are being carried on with the Lockheed Aircraft Corporation can be brought to a satisfactory conclusion in respect to costs, production sharing and other contractual terms, the aircraft selected will be the F-104G, a single-seater supersonic aircraft equipped with the J-79 engine. It is an advanced version of the F-104, which is now in service with the United States Air Force. Members of the Committee will be aware that this aircraft was also selected by the Federal Republic of Germany and will come into operation with the air force of the Federal Republic of Germany at about the same time as it will come into operational use with the RCAF squadrons. In the meantime the German air force is taking into operational use the F-86. While the airframe and engine will be manufactured under licence in Canada, final details of production and costs will be announced by the Minister of Defence Production in due course.

The F-104G was selected as the most suitable after more than 20 types of British, American and European aircraft had been evaluated by the RCAF. Consideration was also given to the possibility of modifying existing Canadian aircraft with a view to converting these aircraft to carry out the new role assigned to air division. Such aircraft were developed essentially as fighter or interceptor aircraft, and were designed to engage hostile bombers

at great heights. The requirements for a strike reconnaissance aircraft do not demand long range and great height, but do call for the ability to fly fast at low altitudes. The two requirements are not compatible, and it was not deemed practical to adapt present aircraft to this new role. Past experience shows that to have attempted to design and build a new aircraft in Canada would have been prohibitive in cost and would have taken much longer to become operational.

I mentioned a few minutes ago that to understand the estimates one must know what our policy and commitments are. For the benefit of those who have not read "Defence 1959", I would quote from that paper:

"Canadian defence policy derives directly from our foreign policy and is designed to ensure national security and the preservation of world peace....

These objectives are reached through collective arrangements within NATO and the United Nations. While the increased range of offensive weapons equipped with nuclear warheads brings the North American continent within the target area in any future war, it is realized that the defence of this area cannot be considered in isolation. The advantage, in collective defence within the framework of an Alliance such as NATO is that an integrated balanced force can be provided by each member nation concentrating on the provision of those elements which constitute its particular needs and can be most effectively maintained.

In order to meet the objectives of the Alliance and in support of the United Nations, it is the defence policy of Canada to provide forces for: The defence against an attack on the North American continent; the collective defence, and deterrent forces of NATO in Europe and the North Atlantic; the United Nations to assist that organization in attaining its peaceful aims.

It should be understood that since the development of offensive weapons has not been matched by comparable advances in defensive technology, effective retaliatory forces are still the best and perhaps only defence. That is part of the concept of NATO.

If the deterrent is to be effective it must contain four basic elements. The free world must have forces in being, fully trained and immediately available for action. They must be so organized as to be able to repel and counter any attack. We must also have the will to build up and maintain those forces and the determination to employ them if circumstances warrant; and the potential enemy must be convinced of the strength of our forces and our willingness to use them if required. Some of the exaggerated statements regarding the obsolescence of some of our equipment have not been helpful in that respect.

While realizing that the main deterrent to war is the retaliatory forces, we must continue to maintain a good defensive posture. For one thing, we must protect the offensive forces, such as the SAC bomber bases, from destruction by a surprise attack. Protection against such an eventuality is one of the principal roles of our air defence forces on the North American continent. The aim of the Western alliance is, first of all, to deter the outbreak of war. Should this fail and an attack follow, we must be in a position to defend ourselves and to destroy the enemy's ability to continue to wage war.

I turn now to defence against the manned bomber. Despite the diminishing threat of the manned bomber in the years ahead, to which I have already referred, it has been considered sensible to maintain defences against such a form of attack on this continent. With the development of stand-off bombs launched from manned aircraft, it is imperative that the interception of such aircraft should take place as far distant from the target as possible. To accomplish this and to provide defence in depth, Canadian and United States interceptors would engage enemy bombers as far north as possible.

We are maintaining nine squadrons of CF-100 all-weather interceptors and are making arrangements so that United States interceptors can operate in Canadian air space, and consideration is being given to providing facilities so that United States aircraft may be able to operate from Canadian airfields. Those hostile bombers that succeed in escaping these defences would then be engaged by a series of Bomarc units located close to the Canadian-United States border. In other words, we are concerned with area rather than point defence. The United States are providing some point defences at their key strategic bases, SAC bomber bases, by such missiles as the Nike-Hercules.

As we are participating jointly with the United States in the air defence of North America under NORAD, it is only good sense to equip our air defence forces with similar weapons so as to permit the most effective joint operation. The United States Air Force, faced with the same requirement for an area air defence missile, are developing the Bomarc as a weapon to complement the other elements of the defence system against bomber aircraft; the radar warning system is also being developed, interceptor aircraft and the semi-automatic ground environment.

Two Bomarc B units will be stationed in Canada, one near North Bay, Ontario, and one in northern Quebec, as part of a system protecting the heavily-populated areas of both Canada and the United States. The United States Air Force are now engaged in establishing their portion of the over-all system stretching from the Atlantic to the Pacific, with interlocking stations. While some changes in quantities have occurred as the system has developed, the first units will soon be operational.

The cost factor as far as Canada is concerned with regard to the Bomarc programme has already been demonstrated. As the result of a cost-sharing agreement with the United States, improvements to the Canadian air-defence system--and this includes additional radar sites, gap-fillers for the Pine Tree system, Bomarc missiles and the SAGE electronic control equipment--amount to some \$125 million, of which \$20 million is for the Bomarc. This represents Canada's share in the new programme, the United States sharing the total cost of the programme on an approximate two thirds, one third basis. This compares, as hon. members know, to the estimated cost of \$750 million if the Arrow programme has been continued until that aircraft was in operation. We are getting comparable defence for considerably less money.

Improvements to the air defence of Canada which have been announced include SAGE, one of whose functions is to provide instructions automatically to the Bomarc missiles and to the interceptors, be those interceptors RCAF or United States aircraft; the modification of existing radar stations to make them part of the SAGE complex; seven new heavy radar stations and a number of gap-filler stations to be added to the Pine Tree line. These increase materially the effectiveness of our defences. Each of the seven new heavy radars will be manned by RCAF personnel. Construction will get under way shortly at Moosonee, Ontario, and Chibougamau, Quebec. Preliminary investigations are being carried out for five western radars. When completed each station will be manned by approximately 250 RCAF and civilian personnel.

It might be of interest to hon. members to know that since the decision was made that Canada would adopt SAGE, the first unit has begun successful operation in the north-eastern United States. The version of the system to be installed in Canada will be a later development; its electronic computers will make use of transistors rather than the less efficient and bulkier vacuum tubes. In order to "harden" the SAGE centres, the Canadian unit will be constructed underground.

Threat from the Sea

The major threat to Canada from the sea continues to be the submarine. The Royal Canadian Navy and the Maritime Command of the RCAF are being organised equipped and developed so that in close co-operation they can cope with the primary task of locating the destroying submarines. Since there is at present no means of destroying a missile once it has been launched, it is most desirable that missile-carrying submarines be kept as from our shores as possible so that targets ashore are beyond the range of the submarine's weapons. Our ships and marine aircraft are designed and equipped for this purpose.

On each coast a maritime commander has been established who exercises unified operational control over RCN and RCAF forces in his area of responsibility and maintains direct liaison with adjacent NATO and national commanders.

To improve our anti-submarine capability and to simplify logistic and training problems, the navy has transferred all the new St. Laurent class escorts to the West Coast, while the Restigouche class escorts will be stationed in the Atlantic Command. Of the original seven Restigouche class escorts, five are now in commission and the remaining two, Columbia and Chaudière, will be commissioned by the end of this year. These ships, together with the Argus aircraft of the RCAF Maritime Command, form an effective hunter-killer and anti-submarine team whose effectiveness increases as new and more advanced equipment is introduced.

To replace Second World War escorts a construction programme for six repeat Restigouche escorts has been commenced. Work has already started on the first of these ships, a second will be laid down this month and the remainder will follow at approximately three month intervals.

National Survival Role

Another aspect of the defence of Canada is the survival role to be carried out by all regular and reserve forces not directly involved in operational duties in the event of war. With the advent of the ICBM we do not pretend that we can ensure a complete defence of North America. Therefore the Government feels that it is prudent to give more thought and consideration to the passive measures of defence which may have to be adopted should our efforts fail to prevent war. With this in mind the regular and reserve forces have been organized for survival operations. All defence forces which are not actively engaged in repelling the attack will be trained and ready to take active measures to assist survival.

An Order in Council known as the Civil Defence Order, 1959, has been approved by the Governor in Council and tabled in the House of Commons. This Order has given the Department of National Defence various civil defence powers, duties and functions which will provide for a system of warning the public of attack, determining location of nuclear explosions and fall-out patterns, assessing damage and casualties, re-entry and rescue. The Department of National Defence will be responsible for all re-entry operations in seriously damaged or contaminated areas. The Department has also been given the tasks of providing emergency support to provincial and municipal authorities for the maintenance of law and order and the maintenance and operation of emergency communications facilities.

The Canadian army is the designated service responsible for the conduct of survival operations, and will be assisted by such elements of the RCN and RCAF as can be made available for this task. A Director General of Survival Operations

has been appointed to head the army organization which will be responsible for the role which was first referred to in the defence report issued in April.

In the event of attack on Canada, communication with all parts of the country would be essential. In consequence, arrangements are being made to ensure that if the main communication facilities should be interrupted, alternative means will be available.

On September 1 the Department of National Defence will assume full responsibility for the operation of the warning system in Canada. This will involve obtaining the information from the appropriate source and transmitting the warning in the shortest possible time to provincial authorities, probable target areas, military headquarters and installations, and all segments of population likely to be affected. Warning will deal with the threat of direct attack and will also provide information on location of nuclear explosions and resulting radioactive fall-out which may follow such an attack. Detailed studies are now under way aimed at providing the fastest and most effective system within our capability.

The Canadian army has organized a number of mobile support columns within the regular army and the militia. These columns will be based on major units and training establishments in the regular army. In the militia they will be based on groups of units. Each column contains rescue companies and such other elements as will permit them to perform re-entry and rescue tasks, as well as supplying manpower for maintenance of law and order and such other internal operations as may be necessary under conditions of war. Mobile support columns will be grouped into task forces.

Rescue training sets are being issued to these mobile columns. Provision is being made for additional equipment to be provided early in 1960. Requirements for communications equipment for national survival have been established and arrangements for procurement are being made on a priority basis. The requirement for radiation detection equipment has been established. Industry, however, is as yet unable to meet the standards in all cases. Action is being taken on a priority basis to obtain suitable equipment as it becomes available, and it is expected that substantial deliveries will be made this year. Some radiac equipment suitable for training has been issued.

Detailed examination of other items of equipment normally held by the army is being carried out with a view to providing adequate scaling for survival operations for all troops involved.

National survival training was introduced to all components of the Canadian army in 1957. Since then emphasis in training has been placed on rescue and radiation monitoring. To date over 750 armed forces personnel have received survival training at the civil defence college at Arnprior and over 1,000 at the joint atomic, bacteriological and chemical school at Camp Borden. The army Commands across Canada have conducted numerous courses to provide instructors in rescue operations. Twelve simulated disaster areas have been constructed for practical training of instructors, and provision is being made for an additional 21.

Army Headquarters have prepared and issued training directives and provisional training instructions in all aspects of national survival training. These instructions will soon be incorporated in training manuals in both English and French. There have been numerous exercises conducted by both the regular army and the militia on national survival operations with encouraging results, and there can be no doubt that the forces have embarked on training for their new role with realism and enthusiasm.

In the context of what I have said the importance of research and development is more than ever apparent. In the present military environment and for the future, research has, and must continue to have a major role in defence planning. In fact our hope of survival may well rest in the hands of the defence scientist.

The Defence Research Board works in very close co-operation with our major NATO partners, and because of its contributions to the common pool of knowledge obtains much greater benefits than could otherwise accrue. Active projects in upper atmospheric physics, aerophysics and explosive physics are being conducted jointly with the United States in an effort to close the gap between offence and defence in the ICBM era. The Prince Albert radar laboratory is one of the facilities being used jointly by Canada and the United States.

High priority is also being given to problems of anti-submarine warfare, particularly in the field of detection and tracking of submarines. Both the naval and air aspects of this difficult problem are being considered. The Canadian programme is closely co-ordinated with the programmes of the United Kingdom and the United States. It is of interest to note that the British Admiralty has recently adopted a towed sonar developed by the Defence Research Board naval research establishment.

Apart from the major problem of defence against the ICBM and the missile-launching submarine, the Defence Research Board is carrying out research in many fields which are of vital importance to defence. Many of the projects are directly allied to air defence, nuclear warfare and survival.

The enormous speed of the ICBM requires split-second reaction time, long-range detection and tracking. All of this is beyond the manual capacity of the human being. There is a continuing effort to develop fast, long-range and automatic devices for detection, tracking and computing. These must be reliable and work at speeds far beyond those of which the human mind is capable of reacting. Operation must often be by remote control by means of electronic devices.

Electronics play a major part in a modern military force. There is a constant seeking to develop more reliable light-weight devices to be fitted into aircraft, ships and vehicles to serve a host of purposes which the human has neither the time nor the resources to carry out. The human being himself is not free from development. New techniques of training are designed to develop latent capabilities which improve his efficiency and indeed his chances of survival. New and improved rations which are compact and nourishing, better and simpler methods of preparation, are being developed. Development of the large complex weapon systems of the future is not contemplated, but development of components for such systems is quite within Canadian capabilities on a co-operative basis with our larger partners.

Estimates

Referring to the estimates directly, it will be recalled that the Standing Committee on Estimates last year recommended a division of the main defence vote. That recommendation is carried out this year and there are now 15 parliamentary votes instead of one main vote, two votes for each service and the Defence Research Board, operation and maintenance, and construction or acquisition of buildings, works, land and major equipment. Separate votes are also provided for development and mutual aid. This new structure will give Parliament tighter control over defence expenditures, as transfer of funds between services will no longer be possible without supplementary estimates being brought before the house.

It might be of interest to hon. members if I furnish a breakdown of this year's estimates according to the major functions. It should be noted that the amounts shown under ACLANT are for naval and maritime forces earmarked for assignment to this NATO command in an emergency. Since these figures represent functional cost estimates, the amounts in some cases do not correspond precisely with amounts shown in the 1959-60 estimates for the particular activity. For example, the figures for reserves and cadets represent estimated total costs of these forces, whereas the estimates provide for direct costs related to personnel of these forces only.

Contributions to NATO: In so far as SHAPE is concerned, we have allocated \$150 million or approximately 8.9 per cent of the total defence budget; to ACLANT, \$203.5 million or 12.1 per cent; for defence of the Canada-United States region, including all army field forces in Canada, \$398.8 million or 23.8 per cent of the defence budget; training forces, \$227.7 million or 13.6 per cent; logistics support forces, \$338.2 million or 20.2 per cent; command and administration, \$102.9 million or 6.1 per cent; reserves and cadets, \$53.6 million or 3.2 per cent; research and development, \$51.1 million or 3 per cent; search and rescue, \$11.4 million or 0.7 per cent; pensions, \$58.4 million or 3.5 per cent; mutual aid, \$21.8 million or 1.3 per cent; and various unallocated amounts, \$62.8 million or 3.6 per cent.

In conclusion, hon. members will have noted that the total estimates this year amount to \$1,680,194,006. For a country our size this is a very considerable sum and represents about 5 per cent of the gross national product and 27.3 per cent of total government spending for this fiscal year. Some critics, perhaps, outside this House suggest we are spending too much. To do less would mean failure to live up to commitments we have made, and to run the risk of weakening the Western alliance and invite disaster. I can assure these critics that every effort is being made on my part and on the part of the officials of the Department to ensure that the funds voted are wisely spent and all extravagance removed.

Other critics complain that we are too dependent on our allies and presumably that we should spend even larger sums. To these I say that we are in a partnership and that our partners fully appreciate our position, our sovereign rights and the efforts we are making. With the high cost of modern equipment we must weigh most carefully the advantages and requirements that can be expected before embarking upon any new enterprise or project. The criterion must be how essential is the new project or piece of equipment to the over-all defence picture. With changes taking place as rapidly as they are there is no time for hasty decisions. I place reliability of equipment before prestige weapons, and I make no apologies if I have taken some time to reach decisions. To be cautious does not mean that one lacks courage.

Still other critics have suggested different methods of spending the funds which are made available. I hope I will always be receptive to new ideas, but as no two critics in this group seem to be able to agree I can but thank them for their help and say that I prefer to rely upon the informed advice of the Chiefs of Staff, a group of dedicated men in whom I have great confidence.





STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 59/33

THE CANADIAN INDUSTRIAL OUTLOOK

An address by Mr. John H. English, Deputy Minister of Trade and Commerce, at the Eleventh Annual Conference of the Provincial Governments' Trade and Industry Council, Halifax, Nova Scotia, on September 30, 1959.

My subject today is: "The Canadian Industrial Outlook". In line with procedure in previous years, I propose to describe the present position of the Canadian economy and to examine some of the major influences determining present trends in the economy as a whole and in particular industries.

As all of you are well aware, economic activity in Canada picked up markedly during the past year. This upward trend started gathering momentum in the closing months of 1958. By early 1959, the more comprehensive measures of general activity had surpassed previous maximum levels and subsequently the tempo of business activity has steadily strengthened. In the second quarter, Canada's Gross National Product reached a level 7.5 per cent above the same period of the preceding year. Much the greater part of this increase reflected higher physical output. The general level of prices appears to have increased by less than 2 per cent. By mid-year the index of industrial production was 7 per cent higher than a year ago and manufacturing output considered separately was up by about the same percentage.

The labour market also has been strengthening. Total employment in August was nearly 3 per cent higher than in the same month last year and non-agricultural employment was up by 4 per cent. Since the labour force itself has shown renewed expansion in the summer months, the decline in unemployment has not been fully commensurate with the increase in jobholders. Nevertheless, unemployment continues to run well below last year's level, and in August amounted to 3.7 per cent of the labour force, compared with 4.5 per cent in the same month of 1958.

The current expansion to date has been sparked largely by increased consumer buying, a high volume of housing and renewed accumulating of business inventories.

Even during the recent business slowdown, the overall flow of incomes to individuals continued to move upward, supported in large part by higher government payments. Since late 1958, personal incomes have been further reinforced by a substantial pick-up in employee earnings, which have increased by 8 per cent during the past year. This growing volume of purchasing power at the disposal of individuals has provided the basis for the current strength in the consumer market. Durable goods in particular have forged ahead this year. Figures available to date show sales of passenger cars up by 15 per cent and major home appliances by a similar amount. In the first half of the year, total consumer outlays showed a substantial 6.5 per cent rise over the same period of 1958. With consumer prices up only 1 per cent, this represents the first significant advance in per capita spending in real terms since 1956.

Meanwhile, house-building activity, though still at an unusually high level, has receded somewhat from the record volume of last autumn. With mortgage credit more difficult to obtain, housing starts have not maintained last year's rate. Nevertheless, the resumption of the small home loans programme, allowing for the advance of mortgage funds up to a maximum of fifteen loans for each builder, is providing a boost to housing in the closing months of the year.

Other forms of private capital spending are now on the up-grade. Outlays for both non-residential construction and for machinery and equipment have been moving upward in recent months. In the industrial field in particular, new expansion projects are going forward at an increasing rate. On the basis of the mid-year survey of investment intentions, private capital outlays will be about the same in 1959 as in the preceding year. However, realization of these plans would involve a growing volume of capital expansion as the year goes on.

The post-recession rebound in corporate profits has no doubt been an important factor contributing to new interest in expansion. By the second quarter, corporate earnings had increased by more than 20 per cent within the space of one year and were within a few per cent of the previous record level.

As with investment, the level of total exports has tended to lag behind the improvement in business conditions generally. In 1958, the coming into prominence of new exports, such as uranium, and the exceptional level of shipments achieved for certain commodities, such as wheat, beef and aircraft, helped to sustain Canada's foreign sales despite a decline in world trade generally. The effects of these special factors had diminished by the end of the year. In addition, the prevalence of extensive new industrial capacity in major consuming countries, particularly the United States, tended for a time to delay the impact of world

recovery as far as material requirements from Canada were concerned. Nevertheless, in the last few months exports have been moving ahead and, for the year to date, are at record levels.

Individual Industries

Having looked briefly at some of the broader trends and influences now dominant in the Canadian economy, it might, at this point, be of interest to consider more specifically what is happening in individual industries.

The upswing in Canadian industry to date has been paced in no small way by the rising level of output in motor vehicles and steel.

Canada's motor vehicle industry has forged ahead despite the continuing popularity of European-type cars in this market. Since last year, the proportion of European cars in the Canadian market has increased from 16 to 24 per cent. Nevertheless, passenger car production in Canada has risen by 10 per cent in the same period and commercial vehicles have shown an even better performance. While the problem of forecasting automobile sales frequently confounds even the experts, one cannot help but be impressed by the favourable signs which continue to persist in the industry. Notable among these is the growing public interest aroused by the introduction of the new "compact" North American models. In the immediate future, however, the Canadian industry may face a shortage of component supplies from the United States, unless the steel strike in that country is settled soon.

Meanwhile, Canada's iron and steel industry has experienced the dual stimulus of rising consumption and prospective scarcity resulting from the shut-down of American mills. Operating rates in the Canadian industry have been close to 90 per cent of capacity since early in the year, and production to date is one-fifth higher than in the comparable period of 1958.

Most other secondary manufacturing industries have achieved at least some improvement in production and sales.

Output of the major household durables, including refrigerators and freezers, washing machines, clothes dryers and stoves are up quite substantially, although the present decline in housing completions may limit further increases. On the other hand, television sales remain well below the earlier build-up period, reflecting the relatively static position with respect to new transmitting outlets and the slow development of the replacement market. Radios have been moving across counters in much larger volume this year, but a major portion of the new demand has been met from imports.

Higher retail purchases of clothing and footwear and generally improved inventory positions have contributed to a significant betterment in the principal segments of the textile and leather industries. At the same time, the share of the market supplied from abroad continues to increase.

Food processing operations have continued to expand, reflecting the steady growth in domestic consumption and the generally ample supply of livestock, dairy and field products. Canada's rapidly growing chemical industry, which in terms of overall output continued its advance even during the recent recession, is showing further expansion in the current year.

Among the equipment producing industries, agricultural implement sales, responding to increased demand in both Canada and the United States, have continued the improvement which first became evident last year. Conditions in other machinery industries have been less favourable. Shipments of railway rolling stock, which declined by 20 per cent in 1958, have receded further in the first half of the current year. Although some pick-up in orders has occurred, the industry faces a further dislocating influence as railroads approach the completion of their major dieselization programme in 1960. Domestic shipments of industrial machinery and heavy electric equipment have been falling since 1957, but the presently increasing tempo of industrial expansion gives promise of a reversal in this trend. A continuing high rate of expansion in commercial and service establishments has resulted in a reasonably firm trend of activity among business equipment manufacturers. In equipment industries generally, domestic producers seem to be holding their own against competition from abroad. Moreover, in recent months there have been encouraging indications of new progress in foreign markets, which is evidenced by the placement with Canadian companies of large orders from the United States in the highly competitive fields of transport aircraft and electrical equipment. On this same theme, considerable success is being achieved by way of production sharing on North America defence contracts.

Forest Industries

The forest-based industries in Canada have experienced substantially improved conditions over the past year.

For wood products, the trend has been exceptionally favourable, reflecting the high level of building activity in North America. In the second quarter of 1959, production was more than 10 per cent above a year earlier. The upsurge of house-building in North America since 1957 first had the effect of reducing large inventories of both producers and consumers. Since mid-1958, production, total shipments and particularly exports to the United States have been high and firm. This brought operations in the interior of British Columbia to record rates, reversed the decline in activity in Eastern Canada and on the

Pacific Coast has substantially offset the decline in overseas shipments. Lumber exports in volume terms rose to the highest levels since 1955. The exceptional buoyancy of the United States market was tempered by the continued reduction in overseas shipments, especially to the United Kingdom. Recently the market picture has been changing. In the United Kingdom, housing starts have risen sharply and, with the lowest stocks on record, purchases have increased substantially. At the same time, housing starts have declined noticeably in North America. This has already been reflected in reduced production and shipments in the United States. Meanwhile, Canadian operations were, for a time, drastically reduced by the work stoppage in the British Columbia coastal region.

The pulp and paper industry by mid-year was operating some 8 per cent above the level of the year before. However, being heavily influenced by the newsprint sector, the build-up during this period was hesitant and uneven. The pulp export market, in which bleached chemical grades predominate, has shown a strong steady recovery, following a moderate decline. This reflects principally the strong secular growth in world demand for bleached kraft pulps. Newsprint and related pulp operations in Canada had a less buoyant and quite irregular trend until the second quarter of 1959. By April, advertising lineage and consumption of newsprint in the United States had recovered by 10 per cent from the low point one year earlier. At the same time, shipments from American producers had risen 20 per cent from the low in the summer of 1958. However, until the end of the first quarter, Canadian producers were affected by the major newspaper strike in New York and its aftermath. This situation was accentuated by further reductions in publishers' stocks and continuing competition from new producers in the southern United States. But a sharp pick-up in the second quarter brought the rate of Canadian shipments to the United States 10 per cent above the low point of a year before.

Mineral Industries

The mineral industries in Canada have shown a substantial recovery over the last year, although there has been considerable variation between sectors and commodities. By mid-1959, mining as a whole reached a level of output 10 per cent above the year before. The fuel and non-metallic sectors have shown the greatest increase in production, and the metals have fully recovered from the impact of the nickel-copper strike in the last quarter of 1958. Export values for minerals since March have risen sharply above the low levels of last winter and about 10 per cent over the pre-strike levels of 1958.

The modest showing of metal mining reflects the levelling of growth in the uranium sector, the continuing ample world capacity position in the case of copper, the uncertain

market outlook for nickel arising from the steel strike, the final cancellation of stockpiling contracts with the United States Government and impending new production in Cuba, the imposition of quotas on imports of lead and zinc into the United States, and finally the intensified competition in international aluminum markets. In aluminum, the intensity of competition, particularly from new capacity in the United States, became very evident in the first quarter of 1959. A further reduction in output and exports following the completion of a major contract in late 1958. This contrasted with a strong recovery in United States consumption and production. By mid-year, a sharp pick-up in Canadian exports reflected the continuing growth of demand, with nearly all the available smelter capacity in the United States already in operation.

Gold production has maintained its steady course with minor reductions in by-products of base metal mines being offset by increases in straight gold operations. Iron ore production, reflecting the recovery in North American steel output, has shown a striking increase in the 1959 season over the previous year. Total shipments in the first half year were 70 per cent higher, with exports to the United States more than double those of 1958. A long steel strike in the United States will undoubtedly affect operations, although some shipments are being re-directed and stocks are being held in readiness for resumption of normal shipping patterns. The output of structural minerals and other non-metallics has grown substantially along with the recovering in North American building.

Production of carbon fuels has increased over the year about 10 per cent at the mine stage and 15 per cent in processing, with coal again giving some ground to oil and gas.

Natural gas production continued its rapid development, with 1959 running one-third ahead of the previous year. Sales in the East have been nearly doubled, following completion of the pipeline late in 1958. This, of course, backed out imports from the United States. In the West, sales also continued their growth as did exports via pipeline in the Vancouver area.

Crude petroleum output increased considerably during the last 12 months, as refinery demand rose and, more recently, as exports to the American Puget Sound area picked up. The latter has particularly helped improve the flow from Alberta, where the previous decline had been greater than in Saskatchewan. Imports of crude and particularly refined products have increased at the same time. Refinery operations in North America spurred on by excess capacity and intensified retail competition, have been above current consumption rates. The consequent increase in stocks has accentuated competition and led to "gas price wars" and such developments as the increased sale of American refined products to Southern Ontario independent distributors.

An important aspect of the current expansion in goods-producing industries generally has been the tendency for production to move well ahead of employment. Scarcely one-quarter of the rise in jobholders during the past year has taken place in goods-producing industries. Service industries have played an important role in the general expansion, having accounted for the remaining three-quarters of the increase in total employment.

The foregoing review of current trends in Canada's principal industries serves to point up the widespread nature of the economic upswing now underway. Even in those sectors which have not to date participated in the general expansion, there is promise of improvement. While the upswing thus far has been based in large part upon domestic market growth, continuation in this trend will depend to an increasing extent upon the existence of a favourable international climate. In this regard current prospects are encouraging.

Upward Trend in World Trade

By June 1959, industrial production in the United States had increased 23 per cent from the April 1958 low. Though presently interrupted by strikes in steel and elsewhere, there is a general expectation that the upward trend will be resumed once the major disputes are resolved. Expansion in the United States has been accompanied by a rising volume of purchases from the rest of the world and the continuation of a substantial outflow of aid and investment funds. In the early part of 1959, the United States deficit on current and capital account was even larger than in the same period of the preceding year. In other words, trade and credit transactions with the rest of the world have continued to add substantially to the buying power in the hands of other trading nations.

In the United Kingdom, the expansion to date has been quite moderate, industrial output having increased by about 5 per cent from a year ago. Nevertheless, unemployment has receded from last winter's high point and there are other indications that the tempo of activity is now accelerating. In West Germany, a strong rate of expansion has been resumed with industrial production up 8 per cent over the past year. Other Western European countries also have achieved good gains. Japan has made an impressive recovery after a relatively serious adjustment, industrial production having risen 10 to 15 per cent.

The less developed areas of the world have not to this point experienced a comparable degree of recovery. Economic progress in these countries is conditioned in large part by the earnings realized from the export of agricultural products and raw materials. World commodity markets have experienced only limited and uneven recovery from the general decline of recent years and conditions vary sharply from one area to another. The economic climate in the southern Commonwealth countries has

improved materially with the strengthening in prices of wool and some other products. Import restrictions have been relaxed and market opportunities for Canadian goods are better than for some years. On the other hand, continued weakness in prices of such items as coffee and sugar has placed further strain upon economies heavily dependent on these commodities. Nevertheless the present rate of expansion in industrial countries, with the growing consumption of food and raw materials entailed, should exert a pervasive strengthening influence upon international commodity markets. Increased earnings from commodity exports, accompanied by a rising volume of investment funds from the financial centres of the world, may soon provide the basis for a quickened pace of development in under-developed areas. More rapid progress in these countries would, in turn, mean expanded markets for the manufactured products of the industrialized countries. In the circumstances described, one could reasonably conclude that a new round of growth in world production and trade is already well underway.

As previously indicated, this upturn in world trade is already being reflected in Canada's export totals, although strikes both in Canada and the United States are, for the present, restricting shipments of some important items, such as lumber, iron ore and nickel. Continuation of this upward trend would exert a dual stimulus within the economy. In the first place, it would bring into use much of the newly created capacity in Canada's expanded export industries. Secondly, it would generate new interest in resource expansion and thereby reinforce the rising trend of capital investment already underway. These new demands, added to the already mounting volume of consumer requirements, give promise of a continued high level of business activity and probably a further boost in the pace of economic expansion.

In many ways, boom times smooth the path toward industrial expansion. They not only open up new business opportunities but also provide a favourable climate for new undertakings to take root. At times such as these the work of the industrial development officer, though seemingly more rewarding, is nevertheless onerous. In fact, the need for careful scrutiny of new ventures is perhaps greatest in a period of mounting prosperity. There is a common tendency at such times to view prospects through rose-tinted glasses. Many a venture, which looks promising in this light, may not stand up in periods of less buoyant market conditions. It rests with those responsible for fostering our industrial expansion to distinguish between these summer "annuals" and the more hardy perennials. In their early stages of development, this distinction is often difficult to make.

There is a further consideration which presently enhances the need for careful selection of new lines of development. We may now be approaching another period in which the available supply

of physical and financial resources are limited in relation to the demands upon them. It is therefore important that the resources available be put to the best possible use. The promotion of an unsound business not only leads to eventual failure but at the same time may deprive more worthy undertakings of the means to get established. For these reasons it is important to encourage the careful study of all new projects with a view to concentrating our efforts in those fields which offer the greatest opportunities in the long term. The Industrial Development Branch of my Department is endeavouring to contribute to this objective in providing more complete information on the size of the Canadian market for various products now supplied from abroad. This, of course, is but one of the many market aspects which must be carefully explored if industrial development is to proceed on a sound basis.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

59/34

TRENDS IN INDIAN EDUCATION

An address by Mrs. Ellen Fairclough, Minister of Citizenship and Immigration and Superintendent General of Indian Affairs, to the Canadian Association of School Superintendents and Inspectors on September 15, 1959, at Saskatoon, Saskatchewan.

May I say what a pleasure it is to be with you and to be able to express my appreciation to those of you who visit our Indian schools as part of your work. You fulfill a most important function in Indian education. If we are to build up and maintain high standards we must remain in close contact with the provincial school systems. The Indian Affairs Branch also finds it helpful when outside people make fresh appraisals and suggestions for the improvement of Indian school programmes.

Before going into details on the more important aspects of Indian education, let me re-state that the fundamental aim of the Government's policy towards Indians is the gradual integration of our country's fastest-growing ethnic group into the Canadian community.

The administration of Indian Affairs tends to help the Indians to become self-supporting and responsible members of Canadian society. Obviously, this is a long-term objective. But year by year it is encouraging to observe that the Indians are making forward strides. I was deeply impressed in the course of my recent visit to Indian reserves in Western Canada with measures that are being taken to improve housing, schools, farms, roads, sanitation and employment opportunities. No longer is the Indian to be considered a depressed and helpless Canadian. He has indeed much to offer to our society through his intelligence, his knowledge and love of nature, his quiet humour, his kindness, his tolerance and patience.

The Government is stepping up its efforts to help the Indian change his employment habits from seasonal occupations to steady, year-round work which can ensure a more stable family economy. Our placement programme helps young people from the reserves to obtain urban jobs. An increasing number have the educational and trade qualifications to meet the demands of employers in business and industry.

Education is the key to a promising future for the Indians. Our great hope lies in the young people now at school and in those yet unborn who will be entering a steadily improving school system in the next generation. A sound educational system is the most effective contribution that Canadians can make to the progress of the Indians. Through education the Indian can hope to compete for stable jobs in the highly competitive labour market. As educationists you know only too well that today's employers insist that their employees should have completed at least Grade 10. Many insist on Grade 12 education and some on even higher academic grades. Good schooling is essential, therefore, if the Indian wants to move off the reserve into a society where he must adapt himself to a different and more competitive set of values. Education helps him too, to find assurance in the non-Indian culture which is often rather strange, and perhaps a little frightening, to him. The Indian Affairs Branch instituted its placement programme in 1957 and quickly realized that the change from the reserve to urban life is a highly challenging and often disturbing emotional experience for young Indians. A few cannot take the transition and return to their reserves. The majority stay. Education has given them enough self-confidence and assurance to make the transition successfully.

Education also prepares the Indian to assume more responsibility in the management of his own affairs on the reserve. Band councils are administering their communities in much the same manner as the councils of rural municipalities. Of the 571 bands in Canada, 188 draw up their own spending budgets. They make by-laws to regulate such matters as sanitation, road construction, housing and welfare.

There has been a slow but steady growth in the number of school committees. The aim of these committees is to foster gradually a greater measure of responsibility on the part of the Indian community for the management of local educational affairs, the development of educational facilities and the proper use of government and band funds for educational purposes. These committees assume direct responsibility for action or recommendation with regard to school attendance, truancy, care of school property, attendance at non-Indian schools, P.T.A., and Home and School associations, special disciplinary problems, band fund appropriations for school activities and scholarships from Band funds. In addition they act in an advisory capacity in respect of school accommodation, annual school maintenance and repairs, recommendations for tuition grants, joint agreements with non-Indian schools, extra-curricular activities, more particularly sports, special holidays, reserve roads in relation to school bus routes, as well as other related matters.

Now let me outline what the Indian Affairs Branch is doing in the field of Indian education. I venture to say that few school systems have accomplished as much as the Branch has undertaken in the last 10 years.

Policy

Our policy is to make school facilities available to every Indian child. This is not as simple as some may think in remote areas and in view of the migratory habits of some of the northern bands. Officials of the Branch consistently encourage parents to send their children to school when they reach six years of age. Too often in the past, parents in some areas waited until their children were quite a bit older before sending them to school. Children are also encouraged to stay at school as long as possible and to go on to high school if they show aptitude and application in their studies.

Statistics show that this policy is bearing fruit. In the school year 1948-1949, 23,285 Indians attended school; during this past year there were 38,836. The increase has been steady and one of the highest of any school system in Canada. In the same period, the number of Indian students attending high school classes more than trebled, from 611 in 1948-49 to 2,100 in the last year.

Integrated Schooling

While our policy is to foster Indian education we endeavour, at the same time, to build as few new Indian schools as possible. In this apparent paradox lies the real progress of Indian education in the last decade - the growth of integrated schooling. The Indian Affairs Branch encourages integrated education in full realization of the benefits the Indian child gains by close association at an impressionable age with non-Indian children. Ten years ago only 1,406 Indian children attended provincial public or private schools. By the last school year this number had soared to 8,186 and continues to grow. Integrated schooling is most advanced where Indian children live close to municipal schools, for example, at Parry Island in Ontario, where it has been possible to close the school on the reserve. Children from this reserve attend schools in the town of Parry Sound. In the same agency the Gibson reserve school has also been closed as the Indian children attend classes in Bala. This pattern is beginning to emerge everywhere in Canada. In Nova Scotia, the Millbrook reserve school was shut down and children now attend Truro schools. In New Brunswick the Eel River reserve school was closed and the pupils entered Dalhousie schools. The St. Clair Indian school in Sarnia was closed also, as was the Protestant Indian school at Whitehorse when the children were enrolled in public schools. In Dawson City we were able to close the doors of the Moose Hide School. At Hazelton in British Columbia three successive agreements were negotiated with the Hazelton Public School Board to allow the entry of Indian children. These are just a few examples. For many years, in remote parts of northern Ontario, the children had been attending classes and boarding at the Shingwauk Residential School at Sault Ste. Marie. Three years ago an agreement was signed with the Public School

Board to transfer Grades 7 and 8 students to the city schools. The following year Grades 5 and 6 were transferred and, later Grade 4. The children continue to board at the Shingwauk school and it is planned to discontinue all classes at that point in the next two years. Pupils of Grades 4 and higher living at the Edmonton Residential School now go to Jasper Place public schools. Jasper Place separate schools take all but Grades 1 and 2 pupils from the Stony Plain Reserve. At Port Alberni in British Columbia children at the residential school are gradually being absorbed into the town schools. Within a short time some 300 Indian youngsters will be taking lessons with non-Indian students at Port Alberni.

I know that occasionally the fear is expressed that the Government may be going too fast in this direction. I sincerely believe that there is no cause for anxiety on that score.

Integrated education is carried out in two ways. First, there is the formal agreement between the Indian Affairs Branch and the local school board for the operation of so-called "joint schools". Such agreements are negotiated when the school board must expand its facilities to accommodate Indian children. The Federal Government not only pays its share of construction costs, but also the regular tuition costs for each Indian child. There are now 57 joint schools covered by 76 agreements: 22 in British Columbia and the Yukon; 12 in Ontario; 8 in Quebec; 6 in Manitoba; 5 in Saskatchewan and 2 each in Alberta and the Maritimes.

In other cases the Indian Affairs Branch pays straight tuition costs for Indian pupils. This is usually the case in places where the local board has room for additional children or where there are only a few Indian pupils.

The Indian Affairs Branch has at times met opposition in the field of integrated education. It has come in part from the Indian parents themselves who do not fully understand the objective of integrated schooling. It must be made clear that no Indian child is forced to attend an integrated school if his parents object. Sometimes the opposition has stemmed from local school boards, usually pressure has come from non-Indian parents. On the whole, the opposition to joint schooling flows from lack of understanding. Some non-Indian parents, for example, are frightened that their children may contract tuberculosis by sitting with Indian children. Obviously, they are unaware of the great advances which have been made in the field of Indian health and the virtual eradication of TB among children. Some believe that because the Indian comes from a different cultural background, he may become a drag on the progress of the rest of the class. Such misapprehension ignores the advancement of the Indian in the past few years, his improved social conditions and his broadening horizons through newspapers, radio and television.

As school inspectors, you can effectively dispel such prejudice. You can also assist by drawing to the attention of our regional teaching staff the possibilities of extending integrated schooling in your respective areas. The official approach to the local school board, naturally, must come from the Indian Affairs Branch after consultation of the Indian parents. At the time of negotiation the value of your judgement based on actual experience can be decisive.

Other Types of Schools

I have dwelled on integrated schooling at some length because I am convinced of its importance to the Indians of Canada. I should like to refer briefly now to other aspects of Indian education which come directly under the administration of the Indian Affairs Branch.

First are the 375 Indian day schools operated by the Branch on the reserves, where enrolment has increased in the last decade from 12,511 to 18,076.

These schools are operated in the same way as provincial non-Indian schools. They follow the same curriculum and are visited by provincial inspectors. Where it is not possible to send Indian pupils to schools outside the reserves, day schools are provided in order that Indian children may be brought up in a normal home atmosphere with the love and care that only parents can give.

Next are the residential schools, operated for the Branch by the Roman Catholic, Anglican, United and Presbyterian churches. These are boarding schools for children who must follow their studies away from the home environment. Some are the children of parents who are away on the trapline and want them to have year-round schooling; others are orphans or children who come from broken homes or children whose parents are ill.

A number of these children are from sparsely-populated areas where it is not feasible to build even a one-room day school. Some residential schools also offer high school courses but usually serve as hostels for Indian students attending nearby non-Indian high schools. The conditions which led to the establishment of residential schools are still prevalent but the need for such schools is much less pressing than it was a quarter of a century ago. Enrolment in these schools has been going up but not at the same rate as the enrolment in day schools. In 1948, 9,368 children were attending residential schools; according to the latest report there were 11,109.

Then there are the seasonal schools which are set up in remote areas for children whose parents still follow a nomadic way of life, hunting, trapping and fishing. Often these bands congregate for a few months at one location and it is possible to open a temporary school for the period of their stay.

In 1959, 893 children attended lessons at seasonal schools. Obviously, these schools are only a second-best substitute for regular classes. Nevertheless, remembering that many children will continue to live in the north, it is perhaps wise that they should not lose contact with the mode of life pursued by their parents.

Fourth are the hospital-schools established at sanatoria. Because of the lengthy treatment required for tuberculosis every effort is made to prevent students from falling too far behind in their school work. In the past year there were 572 students attending hospital classes.

It is the policy of the Department to direct Indian children to secondary and vocational schools operated by the provincial authorities. As I mentioned, enrolment in high schools has more than trebled in the last decade. There is no doubt that the Indian Affairs Branch has succeeded in convincing the young Indians and their parents of the value of high school training. Fundamentally, it is a matter of economic necessity: if you do not have sufficient education you cannot choose your job - no matter whether you are Indian or not.

My Department is fully conscious of the need for more and better counselling of Indian students at the Grade 8 level. We have increased the regional educational staff in British Columbia and stationed officers throughout the province. The results of their guidance work is beginning to show in the increased interest and enrolment of Indians in provincial high schools. The Indian Affairs Branch is planning to extend this de-centralization of its education staff to all provinces within the next four years.

I firmly believe the Indian child has a bright future. No Indian need be deprived of an education and he can go just as far as he wishes or as his talent will allow him to go. The Federal Government pays tuition costs and, if necessary, a living allowance for Indians attending high school, vocational school, business college, teachers' college, university and nurses' training school. Naturally, the parents are expected to contribute as much as they can. Some do not need any assistance. But certainly no Indian is deprived of education because he cannot afford to continue his training. I was especially interested to learn recently of a young Indian girl from British Columbia who graduated in anthropology and is now the only woman counsellor for the John Howard Society. Another Indian girl, a Mohawk from near Belleville (in Ontario), has just completed her M.A. in social work from the University of Toronto and is working with the Belleville Children's Aid Society.

Teachers

Those of you who inspect Indian schools know that both the number and professional qualifications of our teachers is improving year by year. In the last decade the number of teachers

has increased from 383 to 1,221. It is significant that the Indian Affairs Branch engaged 19 Indians as teachers last year, bringing to 110, or eight per cent of the teaching staff, those of Indian ethnic origin. Salaries have also improved. In 1948, for example, the salary range of teachers was from \$1,440 to \$2,520. Today the teacher starts at \$2,700 and can go up to \$6,300. If he or she performs special duties and becomes a "community teacher", the maximum salary reaches \$7,560. Community principals may earn a maximum salary of \$8,960.

The number of fully qualified teachers increases each year. A quarter of a century ago less than half the Indian teachers were qualified. Today 90.5 per cent of the day school and 83.5 per cent of the residential school staff hold the required certificates.

Building Programme

To keep pace with the amazing growth in Indian pupil enrolment, the Federal Government, in spite of its efforts to channel Indian students into integrated schools, has had to undertake a major building programme. The number of classrooms in day and residential schools has risen from just under 700 in 1948 to 1,200 today. These new rooms are in addition to the replacement of many obsolescent and very inadequate schools.

Education costs have risen from \$5,400,000 in 1948 to almost \$22,000,000 in the last school year. This year the Indian Affairs Branch has earmarked \$25,097,350 for Indian education. Of this, nearly \$18,000,000 is for operation and \$7,362,500 for capital expenditures.

As more Indian children go to school and stay there longer, provision must be made to meet a yearly influx which varies in number from place to place. The Indian Affairs Branch has drawn up a programme covering the next five years, based on the number of children from one to five years of age who will soon reach school age. Enrolment is now almost 39,000. The forecast is that by 1964 between 48,000 and 50,000 Indian children will require education, an increase of roughly 25 per cent over the present number. Taking into account the fact that in many remote areas classes are smaller than provincial averages, it is estimated that the equivalent of just over 400 new classrooms will have to be provided.

This construction programme envisages a capital expenditure of nearly \$30,000,000 over the next five years, to accomplish this task. Let me make one point clear: not all the 400 classrooms will be built by the Indian Affairs Branch. If that was to be the case it would be comparatively simple to plan a building programme. The unknown factor is, of course, the degree of integration which will take place in the next few years. New classrooms will be built only when it cannot be arranged for Indian children to attend non-Indian classes.

In planning we must, therefore, leave the cold logic of facts and figures and base our estimates largely on assumption.

It is to be remembered that, however great the importance of integrated schooling to the Indian child as an individual and to the Indian group as a whole, the degree of integration is determined by the consent of both the parents and the local school boards.

The Indian who has taken tremendous strides forward in the last 10 years will play an increasingly important part in Canadian affairs as time goes on. His contribution to Canadian life has too long been misunderstood and insufficiently appreciated. Education will help him take his rightful place in Canadian society.

S/A

GOVERNMENT



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 59/35

CANADA-U.S. MUTUAL DEFENCE

Excerpts from a speech by Mr. George R. Pearkes, V.C., Minister of National Defence for Canada to the National Defence Transportation Association, Seattle, Washington, October 12, 1959.

I have been asked to speak today about Canada-United States mutual defence. I will open my talk with a few remarks about Canada's international position. We Canadians find ourselves situated between the two most powerful nations on earth, the United States and the Soviet Union.

The implications of such a geographic location are obvious, but in spite of the difficulties that arise from time to time between Canada and the United States, we have acquired a certain maturity which leads us to believe that our problems can all eventually be worked out. I feel that this maturity which I have mentioned can be attributed in part to our connection with the British Commonwealth of Nations which brings us into intimate contact with countries spread throughout the four corners of the globe.

Canada and the United States are today closely associated in their efforts to achieve peace through the instrumentality of peaceful negotiations. We cannot accept as inevitable the thought of a world devastated by a nuclear conflict - yet we cannot deny that possibility. We realize this fact and we know that we must maintain sufficient military strength to deter any aggression, while at the same time, through the medium of diplomacy we must endeavour to establish the necessary foundation for international confidence. May I say that the recent efforts of your President in the pursuit of peace are greatly appreciated by all the free peoples of the world.

Our two countries have joined together to share in the defence of North America. We are also joined within the framework of the North Atlantic Treaty Organization. We have taken these measures because for the first time in history the nations on the North American continent are exposed to the possibility of a massive attack.

Canada by herself cannot provide a complete defence in a modern war. The United States of America, strong and powerful as she is, cannot on the North American continent defend herself effectively without Canadian co-operation and without defence facilities on Canadian territory. Our close relationship makes it natural that we should join in an alliance for we have a common heritage of freedom and a common aspiration for peace.

Intimate Collaboration

The origin of this intimate collaboration in defence which exists between our two nations at the present time can be traced to the Ogdensburg Declaration which established the Permanent Joint Board on Defence in August 1940. This Board is still an important element in Canadian-United States relations and in the defence organization of the West.

At the end of hostilities in 1945, the United States Secretary of War and the Secretary of the Navy forwarded joint letters to the Canadian authorities requesting that the co-operation for defence which had existed throughout the war should continue in peacetime. The Canadian Government readily agreed to these arrangements and the Canadian Chiefs of Staff were authorized to initiate defence planning for the defence of North America with the United States Chiefs of Staff.

With the signing of the North Atlantic Treaty in April of 1949 it was decided that the defence of the North American part of the NATO area would now become the responsibility of our two countries and would be guided by the Canada-United States Regional Planning Group.

Another important development which I would like to mention is the establishment of the Canada-United States Ministerial Committee on Joint Defence which was announced in a joint statement in July of last year by President Eisenhower and Prime Minister Diefenbaker. The function of this Committee is to consult on any matters affecting the defence of our two countries and to exchange information and views at the ministerial level on problems that may arise with a view to strengthening further the close and intimate co-operation between our two countries. We are, therefore, jointly responsible for the land, sea and air defence of North America.

Advance Preparations

Should our efforts to prevent the outbreak of a war fail, all of us in the United States and Canada realize the ghastly consequences which would result if a nuclear attack were launched against this continent. It is only sensible, therefore, to prepare in advance the measures which would have to be taken if a major war were to commence suddenly.

You may be interested to hear something of the steps which have been taken in Canada in this field. We now have ready facilities from which a central corps of the Government can carry on outside of Ottawa under conditions of nuclear war even if there is serious radioactive fallout in this area. What we have tried to do in my country is to plan an organization which will preserve some degree of governmental and economic organization during the initial period of a nuclear war. The purpose we have had in mind has been to decentralize as far as possible.

Recent studies of the probable economic situation arising from conditions of a nuclear attack indicate that the problem of providing and distributing essential commodities for both military and civilian purposes would be critical and complicated. It would be necessary to have not only an organization with clear unified control over supplies of all types, but one that could be decentralized not only to regional but, if necessary, local areas.

In the uncertain conditions to be expected as a result of a nuclear attack, it is considered that the flexibility and widespread distribution of transport would be of major importance in helping us to survive and reorganize the economy. No one can foresee what part of our transportation resources will be left in an operating condition following a nuclear attack on this continent. Decisions will have to be taken promptly and any doubt as to where authority lay would result in serious delay and confusion. It is necessary then that we plan in advance of such a contingency in order to have unified control of all types of transportation in an emergency.

Transportation Problems

I would, for a moment, like to refer to some of the problems involved in the different forms of transportation which would be brought about with the outbreak of a war.

Civil aviation is subject to some government control in peacetime and the switch-over to a complete system of security control which would be required in an emergency should not present too much difficulty. The main task during the survival period will be the preservation of aircraft, airfield equipment and operating personnel. Plans for the use of air transport after the initial period of attack will be based on the principle of pooling resources in the national interest.

I might point out that a nuclear war will pose some serious problems with respect to aircraft operations. Aircraft may become contaminated with the radioactive residue by flight through the radioactive cloud or by fallout descending upon them.

Aircraft contaminated in either way may be refuelled, rearmed and flown without undue hazard to the ground crews or aircrew. If time permits and the aircraft is not needed for immediate operational missions, simple wash down with water will remove a large portion of the contamination.

In looking at the matter of water transport, allow me to begin by saying that deep sea shipping is a world-wide enterprise and basic plans are now being developed in co-operation with the Planning Board for Ocean Shipping under the North Atlantic Treaty Organization.

We realize that with the opening of hostilities, a considerable quantity of ships moving in the Atlantic or Pacific may have to be diverted to Canadian anchorages until the situation is clarified and the surviving port's capacity assessed. Any ships in probable Canadian target areas would have to be evacuated and directed to a safe anchorage. An organization for receiving and dealing with ships seeking refuge in Canadian anchorages and with ships evacuated from Canadian ports is being built up within Canada at the present time.

Great Lake shipping may prove vital for internal transportation and must be preserved. In this connection, control planning will take into account the preservation of the canals and locks facilities on the St. Lawrence Seaway. It will also be necessary to develop measures aimed at preventing, as far as possible, the blocking of canals and narrow channels by sunken ships.

Expert knowledge in railway operation will also be required in the event of war. The principal task of governments in this respect will be to guide the railways in the development of plans for the preservation of railway equipment. For instance, it will likely be necessary to evacuate railway equipment from target areas as soon as warning is received. Moreover, bomb damage may cut the railway system in a number of vital places. An important part of the strategic position which must be assumed could possibly involve construction or extension of sidings in localities clear of target cities and also construction of belt lines joining together the lines radiating from major cities to enable railway communication to be maintained after bomb damage has occurred. In other words, we must be prepared to take action to protect railway equipment and put surviving railway facilities to work on priority tasks.

During World War II we realized the essential role that road transportation played in the defence of this continent. One example which I might cite was the construction and use of the Alaska Highway. In any future war our road transport systems will be vital to our security.

There has been a great deal of progress and co-operation in understanding the mutual problems between our countries regarding the necessity of preparedness in the field of transportation.

There have been regular exchange visits between transportation representatives of the Office of Civil and Defence Mobilization and Canadian Civil Defence authorities together with attendance at each other's transportation forums and study groups.

I have only touched on some of the problems involved in defence preparedness in the transportation field. Looking at the overall picture of mutual defence we must all agree that the collaboration which has existed between our countries during the past two decades has indeed been great. There are, and in all likelihood, there will continue to be some weak points in the structure of our partnership but in no sense do they threaten the strength of our unity.

The aims of the United States and Canada - the ideals of the American and Canadian peoples are by tradition basically the same and it is hoped that they will remain so. I trust that in our relations with each other on this North American Continent we will see the development of even greater strength and still more confident mutual understanding within this unique association of our two nations.

S/A

GOVERNMENT



OF CANADA

STATEMENTS AND SPEECHES

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DEPARTMENT OF EXTERNAL AFFAIRS
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EXPANSION WITHOUT INFLATION

Excerpts from a speech by Mr. Donald M. Fleming,
Minister of Finance, to the Empire Club of Canada,
at the Royal York Hotel, Toronto, on Thursday,
October 8, 1959

..... I have had the good fortune over the past several weeks to attend international financial gatherings of the highest importance, first the meeting of the Commonwealth Economic Consultative Council in London, and then the Annual Meetings of the Governors of the International Bank and the International Monetary Fund at Washington. These meetings have offered opportunities not only for general discussion, but for direct talks with some of the leading banking, financial and monetary authorities in the world. I return to Canada with convictions fortified by the best opinions available in the leading countries abroad. No one could participate in these valuable discussions without being profoundly impressed by the enormous recovery in Europe and the formidable contribution which hard work, self-discipline and financial statesmanship have made to the restoration of Europe's currencies to soundness and strength. The economic outlook of the Western World has improved enormously in the past two years, particularly in the industrial countries. The expansion has already gone a long distance, but the possibilities of further economic growth in the present phase are not exhausted in the world, any more than they are here in Canada.

Economic Review

During the past three years Canada has passed through a fairly complete business cycle. The period has presented almost every variety of economic and fiscal problem. It has in a sense been an economic microcosm. It has required on the part of the Government a flexible and adaptable approach to changing conditions. This is the note that I sought to sound in my Budget Speech on April 9.

The upswing which followed the recession of 1954 reached its peak in late 1956 and early 1957. Early in 1957 the economic trend was reversed and the North American Continent moved into a relatively short, but difficult, period of recession, which continued until the summer of 1958. During the next year we moved along the road to recovery, slowly at first, but since last spring with rapidly increasing momentum. The period of recovery from the recession is now past, and Canada has entered upon a period of rapid economic expansion. All signs point toward a continuation of this expansion and growth. The scale of expansion has been so great as to create financial strains, now reflected in problems of credit.

The problem which confronts us at the moment is, how may we sustain expansion without inflation? This is the question which Canadians ask, and are entitled to ask. All realize that it is not possible to ensure a completely even and unbroken course of growth. Most people recognize that in a period of such rapid economic expansion the dangers of inflation can become more threatening. It is a time for calm appraisal, careful study and analysis, constant vigilance and courage.

Let me review the steps which the Government has taken to meet the rapidly changing economic problems which have confronted Canada. We took prompt action in the summer of 1957 by such means as were within our power to offset the decline in business activity. We gave strong support to new housing construction; we increased substantially our own direct expenditures on capital projects; we reduced our own resources to increase those of the provinces and municipalities; we sustained and enlarged the general purchasing power of the Canadian public both by tax reductions and increases in pensions and other welfare payments. As the result of these and other governmental measures in the fiscal field, both the depth and the length of the recession in Canada were greatly reduced. Inevitably we incurred in the fiscal year 1958-59 a large deficit, -- not so large, however, as any of the estimates and prophecies concerning it.

By the summer of 1958 the recession had passed its low point, and the tide turned. Recovery by degrees gathered steady momentum. By the spring of 1959 the Government again adapted its fiscal policy to meet these rapidly improving conditions. It was not yet a time for a severe application of fiscal restraint, but the situation did require a reduction in the stimulus which Government fiscal policies had injected into the economic stream. We took a firm course designed to combat the perils of inflation and to preserve the purchasing power of the Canadian dollar without retarding the forces of recovery. Accordingly we raised taxes moderately and curtailed the expansion in Government expenditure. We announced a fiscal programme which would cut the cash deficit of the preceding year almost in half and would come close to producing a balanced budget

as the economy regained a normal high level of employment and incomes. As I said in my Budget Speech on April 9; "There are times when a substantial deficit is clearly the right policy; there are times when the Budget should be in balance; and there are times when some provision should be made for the orderly retirement of debt." If, as all the current signs indicate, we continue to progress rapidly toward a high level of employment and income, and as capital expansion in the private sector resumes its accustomed rate of growth, we look forward to the time when the Government will cease to be a net borrower. This is a matter of deliberate aim on the part of the Government, and its achievement should materially assist the provinces, municipalities and business in meeting their borrowing problems.

I based the Budget on an estimate that our Gross National Product in 1959 would be approximately seven per cent higher than in 1958. This estimate was greeted by many with some surprise, indeed, in a few quarters, with derision. It is now evident that some of those who are responsible for directing business policies were not prepared for such a rate of growth and seriously under-estimated the demands that would be placed upon them. Indeed, it now seems clear that our 1959 GNP will exceed the estimate I made six months ago.

This growth, and the fact that it was under-estimated by not a few persons in positions of responsibility in business, have produced some stresses and strains, particularly in the demand for and the supply of credit. On January 5th of this year, speaking in this building, I expressed the hope that recovery in 1959 instead of taking the form of a sudden boom would proceed at a steady and sure pace, and thus assist the Government to curb inflationary forces in the economy. A major expansion, however, has set in with all its attendant financial strains.

Money, Credit and Interest

In some respects money and credit are like any commodity: their price responds quickly to major changes in supply and demand. The price of credit is the level of interest rates. When the supply of credit is ample or the demand is slack interest rates fall; and when this situation is reversed interest rates rise. But interest rates also reflect the quality as well as the quantity of supply and demand. If lenders or investors develop doubts about the wearing or the lasting quality of the securities they are offered they will be reluctant to buy except at a lower price, that is to say, at higher rates of interest.

It is in this respect that money and credit are so very different from commodities, in that any excessive increase in the supply is almost certain to deteriorate the quality. We have all learned in recent decades that a persistent increase in

the supply of money beyond that amount necessary to finance the growth in population and production leads to inflation -- to a rise in the general level of prices, to a fall in the value of money and to a decline in the real value of securities which represent a future claim on money.

That is why, in spite of their apparent complexities, sound monetary and fiscal policies are so important to the average citizen. That is why any responsible government must do all that is within its power to defend the value of its currency, and prevent the erosion of the past and future savings of the ordinary citizen.

This leads me to review what has actually been happening in the field of money, credit and banking during the past year.

The supply of money consists of the currency in circulation plus the total volume of bank deposits on which the depositors can draw cheques. The demand for money is most readily represented by the total amount of bank loans outstanding at any time. When business is slack the demand for money also slackens since business firms do not need to carry as large inventories of raw materials, goods in process or finished products, nor do they have as large payrolls to meet each week. As business improves more money, or working capital, is needed to finance increased supplies of materials and goods, to pay weekly wages to more employees, and to buy or build additional machinery and equipment. The business man normally obtains this money, or working capital, by borrowing from his bank.

At the peak of the 1956-57 upswing the total of all business loans by the banks amounted to about \$4,300 million; at the low point of the recession they were about \$4,000 million, or a decline of about 8 per cent. By March of this year the volume of general business loans had again risen to the 1957 peak of \$4,300 million, and continued to rise rapidly until it crossed the \$5,000 million mark in July. During the past ten weeks the volume of general business loans has levelled out at a figure slightly over \$5,000 million. In other words, business loans have increased by more than 25 per cent from the low point of the recession only a little over a year ago, and are now 17 per cent above the previous high record in 1957. It is thus clear that any apparent shortage of credit today is due to the extraordinary intensity of demand for commercial loans arising out of Canada's rapid economic expansion.

Let us now consider the extent to which the Bank of Canada, the chartered banks and the Government in their respective spheres may control or influence the available supply of loanable funds and their effective use. Some of the responsibilities and powers of these institutions have been defined by Parliament; others are of a more general nature.

By Act of Parliament passed in 1934, and confirmed on the several occasions since then when the Act has been before Parliament for amendment, the Bank of Canada has been given the duty "to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action." To this end the Bank of Canada has the sole right of issuing paper currency; it has the power to buy and sell broad classes of securities, to make short term loans to the chartered banks, and otherwise to establish and give effect to the appropriate monetary policy from time to time. Under this Act of Parliament the government of the day has no power or authority whatsoever to direct how the Bank of Canada shall act in these matters.

Let me emphasize that the Government of Canada has no power or control whatsoever over money supply. It cannot increase it, vary it or decrease it. I sometimes receive letters asking me why I turn the money supply on and off like a tap. The fact is that the Minister of Finance has not the slightest control over money supply.

While the Bank of Canada has a broad control over the money supply, it is the chartered banks that decide through their day to day actions how that supply of money is allocated. The overall limit of bank credit is controlled by the statutory requirement that each bank shall maintain a minimum cash reserve equal to 8 per cent of its deposit liabilities, and by an understanding between the banks and the Bank of Canada that each of the chartered banks will maintain in addition a minimum secondary reserve of highly liquid assets (i.e. day loans and Treasury Bills) equal to a further 7 per cent of its deposit liabilities. But beyond that it is for each bank to decide for itself, having regard to prudent banking practice, what proportion of its resources is put into loans, how much is invested in federal, provincial, municipal or corporate securities, or what amounts should be committed to insured mortgages under the National Housing Act. In the allocation of these resources neither the government nor the Bank of Canada has any authority to direct how the chartered banks shall act.

Money Supply

While the Government has no direct control over money supply and the volume of credit, nevertheless its fiscal and debt management policies unquestionably affect the total credit situation. During the period of the recession the large federal deficit that was deliberately engendered was matched by an increase in the money supply by the Bank of Canada to a degree which the Bank believed to be appropriate to the circumstances. As conditions changed from recession to recovery

to expansion, the Government adapted its fiscal policy by moving in the direction of a balanced budget. Concurrently, the Bank of Canada having regard to these changed conditions, and being particularly concerned with the inflation psychosis that appeared to be spreading into Canada from the United States, took steps to stabilize the money supply.

Early in 1957 the total of currency and bank deposits in Canada was about \$11.4 billion. Beginning in the summer of 1957 the Bank took steps to expand the money supply progressively to \$12.3 billion in the early summer of 1958 and to \$13.2 billion later in the year. In his annual report for 1958 the Governor of the Bank stated that the special circumstances of the summer of 1958 led to a somewhat greater increase in money supply than was fully warranted by strictly economic conditions, and since the first of this year the operations of the Bank of Canada have been designed to keep the money supply at a stable level.

While the total money supply has remained relatively stable over the past twelve months, except for seasonal variations, may I emphasize that there has been no freezing of the money supply. Fluctuations always occur from month to month.

It is worth recording that from the beginning of the recession to the present time the proportionate expansion of money supply in Canada has been significantly greater than in the United States. Over the past two years the United States money supply has increased 10 per cent, while ours has increased 16 per cent.

Interest Rates

The intense pressure of demand for money and credit has had its effects on the cost of borrowing, and the curve of interest yields over the past three years reflects the changing economic conditions. This curve of interest rates reached a peak in mid-1957, dropped off sharply to the mid-summer of 1958, rose sharply up to August of this year, and has been showing a mixed trend during the past six or eight weeks.

This rise in interest rates is not just a Canadian phenomenon; the same trend exists in the United States, and the spread between Canadian and American interest rates has followed a fairly consistent pattern.

The rise in interest rates and the consequential decline in bond prices has been the result of two main influences -- the large increases in net new borrowing through the sale of securities, and the heavy selling of bonds by the chartered banks in order to acquire cash for making business loans to their customers.

Net new issues of securities in Canada by the federal, provincial and municipal governments and by corporations have shown wide swings over recent years. In 1954 the total amount of net new borrowing through the securities market in Canada was just under \$1 billion, in 1955 it was almost \$2 billion, in 1956 it was somewhat over \$1 billion, in 1957 \$1,750 million, in 1958 nearly \$2,700 million, and in the first six months of 1959 it was about \$1,100 million. This year the federal government's share of Canada's net new borrowing requirements will be only about half of what it was last year.

The role of the chartered banks in the bond market has also been significant. In round figures the chartered banks held about \$2,500 million of Government of Canada securities in August, 1957. By October, 1958, this figure had risen to almost \$4,000 million, and the published figure last week showed holdings of approximately \$2,800 million. In other words, between August, 1957, and October, 1958, the banks made net purchases of \$1,500 million of Government of Canada securities, but during the past twelve months they have made net sales of \$1,200 million, -- sales which were necessary in order to provide funds for regular business and commercial loans. The constant selling by the banks has for many months created a steady pressure on the bond market.

The encouraging corollary of these figures is that the general public in Canada, after several years of selling off their Government of Canada securities, have during the past twelve months greatly increased their holdings. In 1955 the general public's holdings of Government of Canada securities were about \$9 billion; by mid-1958 they had fallen to less than \$8 billion. Today the public's holdings of our bonds exceed \$10 billion, an increase of \$2 billion in twelve months.

In other words, in one year the public's holdings of Canada Bonds have risen by 26 per cent. This increase is in part a reflection of the more attractive interest rates prevailing, but it also demonstrates unmistakably the growing public confidence in the Government's determination to resist inflationary pressures and to defend the value of our national currency. This same confidence was further demonstrated by the striking success achieved by our Bond issue on September 14th, the result of which has helped to stabilize the bond market still further.

Moreover, besides the increase of \$2 billion in its holdings of Canada Bonds the public has in the same twelve-month period increased its holdings of other Canadian securities, whether provincial, municipal or corporate, by another billion dollars.

Let me make it very clear that as Minister of Finance I dislike very much having to pay high interest rates on government borrowings. We price the securities which we issue as closely as we can in the light of rates prevailing in the market. No government, excepting one possessing complete totalitarian powers, can compel free men to lend it money. The interest rates which governments in a free society must pay depend upon the interplay of the forces of supply and demand.

Interest rates are high. Money is dear. Last week the United States Treasury issued \$2 billion of bonds with a four year-ten month maturity bearing a 5 per cent coupon. It is the highest rate paid by the United States in the last twenty-nine years.

It is a fact, however, that the prevailing high interest rates have not interfered with the processes of economic growth either in Canada or elsewhere.

Let me add one final observation on the subject of interest rates. There are those who contend that a measure of inflation would today bring about a reduction in interest rates. This is a fallacy of the deepest dye. Inflation would divert savings into equities and diminish the supply of loanable funds. The result would be to force interest rates upward....

Current Credit Situation

I have already drawn attention to the extraordinary demand in 1959 for commercial credit in Canada, and to the fact that the existing shortage is the outcome of the free play of the strong forces of economic growth and is not attributable in any degree to any reduction of supply. Restrictions on credit are never popular. Refusals of credit tend to provoke strong personal resentments. We should have Utopia if every credit-worthy borrower could obtain all the money he requires at reasonable rates of interest, on other terms to his satisfaction, under conditions of full employment, a steadily expanding economy and stable prices. Unfortunately, this is a form of coexistence not yet completely attained in this imperfect world.

You would expect me to comment on the restrictions which the chartered banks have imposed on their own lending operations....

Parliament has conferred on the banks valuable charters containing many rights and privileges. I think we will all agree that these should be exercised with due regard for the national interest.

The banks are not the only source of loanable resources, but they are normally the first-line source. In times of enormous demand as throughout 1959, it is vital that the best possible use be made of the existing available lending resources, for these are not unlimited. I am particularly concerned for the legitimate credit needs of farmers and small borrowers, that their interests may not suffer in the keen competition which exists for large and very profitable accounts.

The Bank of Canada publishes quarterly a statement showing the total authorized bank credit limits for customers having lines of credit in excess of \$100,000. At the end of June 1957 these lines of credit amounted to \$3,864 million of which \$2,130 million was outstanding. By June 1958 these lines of credit for the larger borrowers had increased to \$4,321 million though only \$1,964 million were outstanding. By June 1959, the latest figures available, the lines of credit had been further increased to \$4,763 million of which \$2,125 million were in use.

The commitments to the larger borrowers have continued greatly to exceed the actual loans, and have obliged the banks to keep available additional reserves to meet these very large lines of authorized credit. It is evident that had the banks not enlarged these lines of credit so substantially within the past year they would not have encountered such sudden and severe pressures as those which developed this spring and summer.

I also believe that large corporations should be discouraged from using bank credit as semi-permanent capital. Large corporations, unlike small businesses, can and should raise their permanent capital by issuing additional securities into the market. Let me illustrate. Corporation bond financing in Canada in 1957 totalled \$1,045 million, in 1958 \$769.2 million, but in 1959 up to the 24th of August only \$197 million. When a corporation raises, say, \$10 million in the capital market and reduces its bank loans to that extent it immediately makes available to the banks the means of making 10,000 loans of \$1,000 each, or 4,000 loans of \$2,500 each, or 400 loans of \$25,000 each.

Attempts have been made to draw parallels between what happened in 1956 and what has happened in 1959. While there may be some points of resemblance in the background conditions the courses followed have been very different. In 1956 when it considered that some credit restraint was necessary the Bank of Canada intervened. As the result of its intervention term loans by the banks were curtailed, the liquid reserve requirements of the banks were increased and the banks found it necessary to restrict credit immediately and severely and to liquidate in a short time large holdings of Canada Bonds, resulting in very heavy losses to them. There were strong complaints by the chartered banks, and the action of the Bank of Canada was denounced as tardy, drastic and costly.

In 1959 there has been no intervention by either the Government or the Bank of Canada. In May and in August the chartered banks acting on their own initiative imposed restrictions on their lending operations. In doing so there was no need for any of the banks to blame anyone else. Certainly there was no need for indulging in recriminations. The situation was the result of unprecedented demand for credit, and the lending resources of the banks were not unlimited. I deplore the attempt made in certain quarters under these circumstances to attribute to what is vaguely and conveniently called "Ottawa" the responsibility for these restrictions.

One of the complaints which I have heard is that someone in authority should have warned the banks in advance or should have told them to do what in fact they have done. Here let me make it quite clear that I believe that the bankers best know how to operate the banking business in Canada. There are no better bankers in the world than we have in Canada. On the day I was sworn into office on June 21st, 1957, I met the Canadian Bankers Association and informed them of that belief and that bureaucratic interference with their operations did not accord with my political philosophy. The corollary of this belief is that in a free society those who discharge business functions should assume responsibility for their decisions and should not attempt to place responsibility or blame on others....

Inflation

I have reserved to this point my observations on the subject of inflation. "The choice is between the path of creeping inflation and that of a strong and stable dollar", was the warning of Dr. Wilhelm Vocke, the eminent German central banker, to the United States recently. The warning applies with equal force to Canada. We want growth. We want an expansion of our economy. We want the development of our resources. Can we have these and at the same time avoid the perils of inflation? This is a challenging question.

There is a prevalent belief that a measure of inflation, called "creeping inflation" contributes to growth. Let me speak on this subject as clearly and emphatically as I can. There can be no compromise with inflation in any of its forms, including its insidious creeping form. The Canadian Government has chosen the course of maintaining a strong and stable Canadian dollar. On July 14, 1958, the Prime Minister said:- "I want to emphasize again at this time that the preservation of a sound currency and the maintenance of stability in the value of the dollar are matters to which the Government attaches the highest importance."

.... Canada enjoys no immunity from the dangers of inflation. Indeed, it has a special interest in avoiding those perils. If Canada does not maintain the stability of her currency while all of the other principal countries are doing so with theirs, we will most certainly be priced out of world markets, with results that will be a catastrophe for Canada.

We have not lightly taken up the battle against inflation. We are not unmindful of the tasks and risks involved. We do not beguile the public into thinking that the battle against inflation can be won without paying a price. We do not change our policies as have those who but a few months ago were shaking confidence by their doleful declarations on the subject of inflation and are now prepared to turn a benign eye on relaxation of effort. But having fought to this point with some success against inflation, there can be no turning back or capitulation or half-hearted struggle now....

I am asking for the support of the Canadian public, to the fullest degree that Canadians are prepared to give it to us, in our efforts to preserve the stability of the Canadian dollar. We must all recognize that there is in the world today a shortage of capital, and Canada is experiencing that shortage. I ask the Canadian people to refrain from asking for governmental expenditures which are not strictly necessary now. By preserving the value of the dollar, we shall strengthen confidence in Government credit, which will in turn arrest the upward movement in interest rates and restore bond values. This is a task in which every Canadian has a direct interest.

"The task of maintaining the soundness and stability of currency is never ended", said President Eisenhower recently. "We must be vigilant, realistic and determined in our efforts to resist the perils of inflation."

Conclusion -- Strength of the Economy

I referred in opening to the enormous recovery in the economic and financial strength of the United Kingdom and the countries of Western Europe. The expansion of the Canadian economy matches that of any other country in the world. The existence of financial strains should not be permitted to obscure in our minds the rising strength of the Canadian economy. Today the Gross National Product has reached record heights. There are more persons employed in Canada than ever before. They are earning more than ever before. They are spending more than ever before. They are saving more than ever before. Canada's exports are at a record level. Canada's imports are at a record level. Canada's total trade is at a record level. Farm cash income is at record levels. The public's holdings of government securities have reached an all-time total. Savings deposits in the Canadian banks have reached a record level. Labour income is at an all-time high. Retail sales are higher than ever before.

Liquidity in the Canadian economy is strong. Canada has recently witnessed a sudden upsurge of capital spending on new plant and equipment. These outlays, which are widely diffused throughout the economy, are rising for the first time since early 1957, and have helped to push the Gross National Product to an annual rate of \$34.7 billion in the second quarter of 1959.

Canadians never had more reason to be optimistic than they have today....

S/A



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No 59/37

CANADIAN FOREIGN POLICY IN RELATION TO CANADA'S EXPORTS

Address by Mr. Howard Green, Secretary of State for External Affairs, to the Canadian Exporters' Association Seignior Club, Montebello, Quebec, October 14, 1959

..... The importance of our export trade to our national economy deserves to be underlined. We export more goods per capita than any other country in the world, and 20 per cent of our national income derives from the sale of Canadian goods abroad. Consequently, no nation has a greater interest in the maximum growth and freedom of international commerce than ours. Unless, in fact, we can continue to develop our sales in world markets, our relatively high standard of living must inevitably fall.

We must, therefore, secure as large a volume of international trade as is possible, and this can only be achieved by providing our customers with goods they want at prices they are willing to pay. You, as Canadian exporters, are serving Canada well in this respect, and I congratulate you for your very considerable achievements. You are doing a good job. It is a job, however, in which you must be able to adjust quickly to changing world situations. I shall speak later of current developments in Europe, and of the question of our attitude to the under-developed countries of the world. Both situations present us with challenges as well as opportunities.

In the Government of Canada the primary responsibility for the promotion of Canadian exports abroad of course lies with my colleague, the Minister of Trade and Commerce, and in speaking to you tonight on the subject of "Canadian foreign policy in relation to Canada's exports", I hope it will not be thought that I am a poacher on his territory. It has been said that international affairs are something, usually unpleasant, which happens to somebody else. It has also been alleged that international affairs are concerned with rather exotic and rarified matters, remote from the practical problems of the workaday world. Perhaps, in another time, this was so, but I can assure you that in our complex postwar world it is no longer the case.

In the months since I assumed my present office, I have frequently had to deal with down-to-earth problems relating to international trade and economic relations, for such matters are, in fact, part and parcel of our external relations. For this reason, I should like to make a few observations on the international economic scene, and to outline for you what our policy is towards some current problems. I might add here that not only is foreign policy closely bound up with trade policy; it is also closely connected with many aspects of our domestic policies. You cannot keep these things in water-tight compartments. Policies which we might think apply only within Canada turn out to have important consequences for our friends abroad, and for our own external trade interests, and Canadians have a similar interest in what happens in other countries.

I do not think it is too simplified a definition to say that the purpose of a country's foreign policy - any country's foreign policy - is to look after the best interests of its citizens. Some of these interests are economic, some of them are cultural, some are personal; all of them are inexorably bound up in the overriding objective of maintaining world peace. And I submit that, second only to this paramount objective, and indeed, a prime factor in its achievement, is the promotion of the economic well-being of the world. Human beings whose economic circumstances are improving will, in general, be less likely to have aggressive designs on their fellows, and it is also true that the more prosperous a country is, the more difficult it will be for a government to place that prosperity in jeopardy for the sake of some chauvinistic objective. We have, in short, a substantial interest in our neighbour's prosperity and welfare.

One reflection in our foreign policy of the importance which the Canadian Government attaches to the promotion of the economic well-being of the international community has been the active part we have played in the field of assistance to the less-developed regions of the world.

The problem of assisting the under-developed countries in their programmes of economic development is an exceedingly complex one; there is no across-the-board formula which can be applied. For this reason, Canadian assistance, if it is to be fully effective, must take many forms in order to meet the individual needs of recipient countries.

Some of our assistance has been provided under the auspices of the United Nations, which has in many ways proven itself to be extremely well suited to such purposes. It can act as a clearing house for the diverse skills of the international community, and also act as an agency for the pooling of funds. The economic work of the United Nations General Assembly is handled by the Assembly's second committee, which is becoming a very important forum for the discussion of all these questions. This committee deals with such matters as international commodity problems, economic development of the under-developed countries,

and technical assistance. It has some notable achievements to its credit, including the recent creation of the United Nations Special Fund. In the past year, Canada was the largest per capita contributor to the Special Fund and the Expanded Programme of Technical Assistance.

More recently there have been discussions concerning the proposed new International Development Association. This Association, in the form in which it is envisaged at present, would have an initial capitalization of \$1 billion, of which Canada's share would be about \$38 million. Although some aspects of it still have to be worked out, this Association could give a strong impetus to the economic development of less-developed countries.

One of the oldest established and, I would venture to say, one of the best assistance programmes in existence is the Colombo Plan. This programme was originally established to further co-operative economic development within the Commonwealth in South and Southeast Asia, and it has been an outstanding success, both as a development programme and as an example of Commonwealth co-operation.

Since 1951 Canada has contributed close to \$300 million under the Colombo Plan; we have, for example, joined with India in building an atomic reactor, located near Bombay. We have sent engineers and equipment to Pakistan for the construction of the Warsak Dam, aerial survey teams to Malaya, India and Pakistan, and fisheries experts and equipment to Ceylon.

As you know, I have just returned from New York, where I am attending the current session of the United Nations General Assembly. One of the things which has particularly impressed me has been the tremendous fund of good-will towards Canada which exists among the countries of Africa and Asia, and Canada's participation in the Colombo Plan has done a great deal to bring about this result.

As one means of continuing to develop our close relations with these countries, we expect to open a new diplomatic mission in Nigeria next year; in the recent past we have also opened offices in Ghana and Malaya. These countries look to us for friendly co-operation as they take their place in the international community, and it is our duty - and very much in our best interests - to provide such help as we can. I would urge you as Canadian exporters to take advantage of the good-will which exists towards us in these parts of the world. I am sure that there are opportunities now to get in at the beginning in establishing growing trade relations with these newly developing countries.

I should also like to point out that the improvement of living conditions and commercial life in the less-developed areas of the world cannot but increase the ability of these countries to maintain more flourishing economies and a larger foreign trade, both import and export. I am not thinking only of the direct increase in our exports as a consequence of these programmes. Economic aid, as a whole, from Canada and from other countries, helps to build up stronger economies with which, over the years, we can do a growing business.

For example, in 1958 the Canadian Government established a \$10-million fund to assist over a five-year period in the economic development of the new West Indies Federation. A large part of this fund will be spent on two ships, to be constructed in Canada, for inter-island services; the remainder will be devoted to technical assistance and other projects. By providing such assistance we are not only seeking to assist in the development of the new Federation; we are also investing in an important potential market for Canadian goods.

One does not need to be an economist to understand that the size of a market is determined not only by population but by purchasing power. When the economies of these countries have become more developed, we can look forward to a steady expansion of our international markets. In the meantime, the goods and services which we are providing are making known to officials, engineers, and businessmen of these countries the abilities and skills of modern industrial Canada in the best possible way.

Important as foreign assistance programmes are in the promotion of the economic life of the international community, they are not the only means to this end. The rate of international economic growth depends also on the flow of international trade and private capital, and this is a field in which, under our non-state trading system, governments can only assist and encourage and not play a direct part. Nevertheless, the policies which governments adopt are by no means unimportant.

For these reasons, and also because of Canada's position as one of the world's major trading nations, Canadian foreign policy has had as one of its prime objectives the establishment of a multilateral system of trade and payments. Under such a system, barriers to the flow of international trade and payments are reduced to moderate levels and made non-discriminatory in their application.

The great benefit of a multilateral system is that trade tends to flow in accordance with relative price considerations instead of being artificially channelled in one direction or another by the need to strike a bilateral balance. The most is made of the world's stock of productive resources and that stock is likely to increase more rapidly than under any alternative system. For these reasons, the achievement of a multilateral

system is essential to a maximum rate of world economic development. Moreover, in practical terms, the present Canadian pattern of trade requires a multilateral system.

I think one of the principal economic lessons the world has learned is that narrowly bilateral trading arrangements are frequently self-defeating policies, and also work against the expansion of world trade, which is so important to exporting countries such as Canada.

The establishment of the General Agreements on Tariffs and Trade and the International Monetary Fund - both institutions which Canada has firmly supported and in which she has played an active part - was of great significance in this respect, since they commit member countries to non-discrimination in trade and are designed to achieve currency convertibility and the elimination of trade and exchange restrictions. The prevalence of severe foreign exchange difficulties in many parts of the world following the Second World War frustrated the achievement of the multilateral system for a number of years. More recently, however, with the improvement in world economic and financial conditions, there has been considerable progress.

In this connection, I should like to say a few words about the Commonwealth Trade and Economic Conference which was held in Montreal just over a year ago. This, the first full-scale Commonwealth Conference of its type in over a quarter of a century, not only strengthened the trade and economic ties among the countries of the Commonwealth, but it gave a new impetus to multilateral trade policies on a world-wide basis. This was well illustrated by the theme adopted by the Conference: "An expanding Commonwealth in an expanding world". The many important discussions and negotiations that were held between individual Commonwealth partners were based on the realization that the Commonwealth, by enlightened co-operation, should reaffirm its place as a force for expansion of world trade, economic growth and the social betterment of peoples throughout the world.

The concrete results of the Montreal Conference were impressive in themselves. Perhaps equally important is the atmosphere which that Conference helped to create. While there may be differences of opinion about how many of the subsequent events were directly attributable to the Conference no one would deny that the constructive attitude displayed in Montreal has influenced the later policies of many countries inside and outside the Commonwealth. To assess the value of the Montreal Conference one has only to imagine how much different the present situation and prospects might have been if the Conference had not taken place or if it had gone off in a restrictionist direction.

One of the most important results of the Montreal Conference for Canadian exporters was that it gave an impetus to the relaxation of dollar import controls. The United Kingdom announced the elimination of restrictions on a number of items important to Canadian exporters, and at the same time invited colonial authorities to adopt similar measures. Since that time, restrictions on dollar imports have been relaxed by British Guiana, Nigeria, the West Indies and a number of other territories.

These are measures of considerable importance to Canada. As the only Commonwealth country in the dollar area, Canada has felt the impact of the sterling area's dollar shortage, and the consequent restrictions on dollar imports have in many cases cancelled out the benefits to Canada of Commonwealth tariff preferences. The recent removal of import licensing on dollar goods by the Australian Government was, therefore, most welcome, and I have also been greatly encouraged by the recent announcement at the meeting of Commonwealth finance and economic ministers that the United Kingdom has renewed its pledge to remove the remaining barriers against dollar area exports as soon as possible.

At the end of 1958 the United Kingdom and a number of major European trading countries announced that their currencies would henceforth be externally convertible. As a result, Canadian exporters are now able to sell anywhere in the world and accept payment in sterling or certain European currencies with the full assurance that they can convert such currencies freely into dollars. This is an important development and a welcome one; its implications for the future are perhaps of even greater significance. The move to external convertibility in effect removed any reason for the maintenance of import restrictions on dollar goods. Although there will no doubt be a time lag before the logic of this situation is everywhere translated into practice, I am happy to say that some European countries have already almost entirely eliminated their import restrictions on dollar goods, and I am confident that other countries will take an early opportunity to follow this example.

Canada's direct trade and investment relations with the United States are matters of immense importance to our whole economy. I cannot do more than touch on them briefly at this time. The recently published figures for the first six months of 1959 have aroused some concern at the continuing size of our deficit on merchandise account with the United States. For this period our trade deficit with the United States is \$415 million, compared with \$384 million in the first six months of 1958. The change is largely the reflection of the rapid development of our economy in 1959, and the consequent demand for United States imports. The deficit for the same period in 1957 was \$706 million, and in 1956 it was \$690 million, so that the figure I have given (\$415 million for the first six months of this year) must be compared with the earlier

years as well as with last year. Nevertheless, we cannot be complacent about this situation. We must redouble our efforts to bridge this gap in our trade with the United States - both by greater direct exports to the United States and by greater surpluses in our accounts with the rest of the world. In the light of this trade relationship on the North American continent, our great concern to see an end of discrimination and restriction in world markets as a whole takes on new urgency.

So far as direct United States account is concerned there has been an encouraging increase in our exports this year of the order of about 10 per cent. We continue to watch closely the situation regarding restriction on our lead and zinc exports to the United States, and we are glad that agreement has been reached ending restrictions on the movement of Canadian oil to that market. A broader and more helpful - and more realistic - United States attitude on defence contracts and on strategic considerations in certain purchases has also improved the direct Canada-United States trade picture.

I should now like to consider briefly some of the recent developments in Europe which I know are of considerable interest to you. The European Common Market, grouping six important trading countries, is now a reality; the first steps have been taken towards the creation of a tightly-knit economic community of some 160 million people, with tariffs eliminated within the area, and a common tariff and common economic policy towards the outside world.

The United Kingdom and the other European countries which are not members of this Common Market last year tried to negotiate a 17-country European Free Trade Area which would have included the Common Market of the Six. These negotiations broke down and the Common Market countries have moved ahead on their own. Faced with this division in Europe, the United Kingdom and the other European countries have been closely examining alternative ways of protecting their trading interests.

The course which it now appears will be adopted is the establishment of a Free Trade Association of the countries known as "The Outer Seven" - the United Kingdom, Norway, Sweden, Denmark, Austria, Switzerland and Portugal. Plans for this Association have gone ahead very quickly, and it is expected that the first reduction of tariffs and quota restrictions within this group will take place on July 1, 1960. The main feature of this Association will be the progressive removal of tariffs on all industrial goods within the area over a ten-year period, with each member country setting its own external tariffs. Quota restrictions within the area are to be progressively removed, and special arrangements short of internal free trade are to be worked out for agriculture and fisheries.

These European regional developments could have far-reaching implications for Canada. First, and most obviously, they will have direct effects on our export trade. Canadian exports to the countries of the Outer Seven totalled \$884 million last year, representing about 20 per cent of our total exports; sales to the Common Market countries represented a further 12 per cent. What the actual consequences of the recent trade arrangements in those countries will be for Canadian exports in the future will, to a large extent, depend on the detailed nature of the arrangements: the height of the tariff, the use of quota restrictions, the agricultural policies which are adopted, and so on.

The test for customs unions and similar regional arrangements is whether they are trade-creating or merely trade-diverting, and this again depends to a considerable extent on the degree to which restrictive policies are adopted towards the rest of the world. If the present European groupings avoid narrow and restrictive attitudes in their external policies, it is possible that the result will be an expansion instead of a curtailment in trade opportunities for outside countries.

Secondly, the way in which the European trade groupings develop will inevitably influence the commercial policies of countries in other parts of the world. If they result in increased trade discrimination against Canada and the rest of the world, the development of multilateral trade, not merely in Europe, but in the rest of the world, may suffer a serious reverse. The commercial policies of countries outside Europe, including the United States, might well be influenced in a restrictive direction, and such a chain of events, once started, could go a considerable distance before it was stopped.

In this connection, I might also mention Article II of the North Atlantic Treaty, which commits member countries to collaboration in their international economic policies. Restrictive and discriminatory groupings, if they should develop, would not be in keeping with the letter of spirit of this obligation, and I am confident that our European friends and allies will also have this consideration in mind as they work out their new programmes.

For these reasons, Canada, in concert with other countries, has been trying to influence these developments in a trade-expanding rather than a trade-restricting direction, and I am reasonably optimistic that we will be successful. With the improvement in world economic and financial conditions in recent years there has been considerable progress toward the multilateral objective. I hope that countries will continue to work towards the establishment of an integrated world economy and not a series of independent and mutually exclusive systems.

At this point I should like to emphasize that the Canadian Government is in sympathy with the broad objectives of the movements towards European unity. We have from the outset welcomed the development of institutions designed to bring about increased co-operation in Europe. Such institutions as the Organization for European Economic Co-operation, the European Productivity Agency, and the Economic Commission for Europe, have done a great deal of valuable work. They have certainly improved the standard of living and contributed to the welfare of the peoples of the European countries; they also strengthened political ties between these countries. In these respects they have made a substantial and valuable contribution; they are worthy achievements, and I applaud them.

It should also be evident from my foregoing remarks that there is no contradiction in our present policy of welcoming the political and economic integration of Europe while expressing concern about the possible growth of restrictiveness in European trading policies. Rather, we consider that the one need not entail the other. We believe that, properly developed, they can become examples of international co-operation for the good of the whole international community, rather than for the limited benefit of a few of its members.

It is clear that the past year or so have been marked by the passing of what might be called the postwar world, and a new phase is beginning. Western Europe has largely completed its reconstruction after the ravages of the Second World War and has now reached a position of unprecedented strength and prosperity. The world's main trading currencies have been made convertible and the outlook for increased trade and freer payments has been greatly improved.

The relative mildness of the three postwar recessions - none of which has really represented more than a pause before a period of even greater expansion - has given the international trading community confidence in the basic strength and stability of the world economy, as well as encouraging national governments in their moves to dismantle restrictive measures.

One problem which is of great and immediate concern to me, as the Minister responsible for External Affairs, is disarmament. Aside from the terrible threat to mankind of nuclear weapons, which must overshadow all foreign policy in this age, there is the heavy burden of defence - a burden in terms of taxes and in terms of the great demands for the skills and resources of our people and country. Sometimes one hears the concern expressed that our free enterprise economy requires the stimulation of an arms race to keep it from depression that we cannot, in fact, tolerate disarmament because of its economic consequences.

This idea may not be expressed so bluntly, but it may be in the background of some attitudes. I have no hesitation in saying that I regard such expressions of fear or concern as unsound and wrong. Our economy is entirely capable of making this adjustment, and of providing a greater flow of other goods to meet the needs of our own people and our customers abroad. Disarmament talks, in which Canada will take part, will soon be starting again, and I know that the Canadian people have no doubts about the vital importance of success in these efforts.

In facing these problems of the modern world, it is not enough to be able to lead from a position of military strength, which must be maintained while we seek agreement on disarmament; there must be economic strength and stability as well. We need a healthy economic environment on which to base our efforts for world peace. I am convinced that the greatest challenge, the most pressing problem which faces our civilization today is that over half the world's population bears the shackles of severe poverty, ignorance, disease and illiteracy, and there can be no assured peace or stability for the world until these shackles have been removed. It is not enough to speak of peace and political freedom to peoples who are economically retarded and who are determined to better themselves at whatever price may be required. If our system is really superior, we must be able to demonstrate it tangibly; the concrete economic benefits must be made self-evident.

It is for this reason, if for no other, that international trade and economic matters must be an integral part of foreign policy, for the present challenge is not one that we can afford to ignore. I am confident that the growing economic strength of the Western world will enable us to meet it successfully.

S/A



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A CANADIAN VIEW OF NATO

A statement by Mr. Howard Green, Canadian Secretary of State for External Affairs, to the Nato Council, October 28, 1959

I am very glad on my first official visit to Europe to have this opportunity of calling on the Council. In the few months since I took up my present position I have been impressed by the importance of the Council as a forum in which my country and others can make known their views. There is a refreshing quality of informality here which is seldom found in other diplomatic forums.

Support for Nato

At the outset of my remarks I wish to state once more that the Canadian Government is devoted to the purposes of the North Atlantic Treaty and that we continue to give it high priority among Canada's international obligations. The most recent example of our continuing support for NATO is the recent decision of the Canadian Government to re-equip the Canadian Air Division in Europe with the most modern aircraft -- a decision which we took at a time of budgetary deficits when we were unable to increase total defence expenditures.

The North Atlantic Treaty binds us together for the defence of North America and Europe. Unlike most members of the Alliance, the Canadian defence effort cannot be concentrated only in Europe. We must provide, in co-operation with the United States, for the defence of the long frontier bordering the Soviet empire in the north. In the age of missiles and long-range bombers, the defence of North America is as important to NATO as a whole as is the defence of Western Europe. The requirements of the defence of North America are expanding and costly. The maintenance of Canadian forces in Europe is a contribution to NATO over and above heavy commitments now being undertaken by the Canadian Government in the defence of the Canada-United States region.

Interdependence

One of the principles underlying the North Atlantic Alliance is that no state, however powerful, can guarantee its security and welfare in the nuclear age by national action alone. To all its members - large, medium and small - NATO brought, in the face of a serious Soviet military challenge, a measure of security and purpose, and today endows us with a sense of mutual confidence and responsibility for the negotiations which lie ahead which no member, by itself, could have attained.

By the same token, the very interdependence of a grouping of states of varying sizes and responsibilities means that the action of one can affect, and often vitally, the security and welfare of all. Interdependence requires above all mutual confidence. It must exist to a very high degree, and it is of the utmost importance that it be maintained. In the Canadian view the most effective way of preserving our faith and trust in each other is through frequent and frank consultations.

Political Consultations

The Canadian Government has consistently emphasized the great significance of political consultation within the Alliance and we are encouraged by the considerable progress which has been achieved. It is now accepted practice that member states should not, without advance consultation, adopt firm policies or make major political pronouncements on matters which significantly affect the Alliance or any of its members.

We are confident that member states are prepared to live up to this recommendation and there is, we believe, an increasing sense of responsibility and obligation regarding consultation. During the last few months, consultations have been particularly useful on the Berlin issue and during the Geneva conferences.

There have also been fruitful and intimate exchanges on a variety of problems arising outside of the NATO area but capable of possible repercussions on the interest of the Alliance or its members. We are entering into this field in the knowledge that the purpose of such consultations is not the formulation of common NATO policies in parts of the world outside the NATO area or the widening of the commitments of the individual members. Rather, the object is to discuss questions of common concern so that NATO governments in the formulation of their national policies will fully understand each other's points of view and preoccupations. I am sure this approach is shared by all governments represented around this table.

Adequacy of Nato Machinery

It is to the credit of its authors that the Treaty is as adequate to the problems we face today as it was ten years ago. It is up to us to use it. Of late we have had indications that some members of the Alliance are considering the possibility of setting up special machinery for political consultation on a regional basis outside the NATO framework. We welcome exchanges generally and continue to use our own bilateral and multilateral contacts with other countries. It has always seemed to us undesirable, however, that such consultations should take the place of or frustrate political consultation within the Council. In particular, we would view with concern any development which might tend to produce pre-fixed positions by a number of member countries on problems of interest to the Alliance as a whole. We hope that this view is generally shared and that no decision will be taken the results of which would be to weaken the effectiveness of consultation within NATO.

During the next few weeks the Council will move to its new headquarters. The process of consultation will surely be intensified by the mere presence under one roof of all member delegations and of the Secretary-General and his staff. Indeed it would be quite normal in these new surroundings for some permanent delegations to meet informally and discuss problems of more immediate concern to their countries. The Council on the other hand could remain in more or less permanent session and be available at the call of the chair at a few minutes' notice. It seems to us therefore that, given goodwill on all sides, the Council could fulfill with a minimum of complications most if not all of the responsibilities which the new international situation may call for. As far as Canada is concerned I can assure you that we will continue to co-operate fully and whole-heartedly. The Canadian Government strongly endorses what President Eisenhower said here in this Council last month about no member nation having to take a second place in our organization. NATO is and must remain animated by a spirit of equality. In practical terms, this surely means that NATO policies should continue to be determined by all NATO members.

Economic Co-operation

Today the position of the North Atlantic Alliance as a whole is one of unprecedented economic strength; and almost without exception our individual countries are economically more prosperous than ever before. This economic growth and strength should serve as convincing evidence as to the efficacy of our own economic systems. Now that the economic scene has changed somewhat we should satisfy ourselves that our actions and programmes are still wholly appropriate to present circumstances.

We all share the conviction made explicit in Article II of our Treaty that conflicts in our international economic policies should be eliminated and hence that the possibility of an economic

split not only in Europe but between Europe and North America and the rest of the free world should not be allowed to develop. In the Canadian view, which I trust is shared by all, regional economic arrangements should stimulate progress towards the expansion of international trade, freed from the burden of restrictions and discrimination.

We must see to it that our own economic techniques are used in such a way as to increase the economic strength of the free world at the greatest possible rate. Our world economic institutions and our codes of international economic conduct, if properly used and applied, will go a long way toward relieving some of the economic burdens of the under-developed countries. Equally important is a recognition of the need for increased financial and technical assistance from those countries which are now finding themselves in highly improved economic conditions. What I am suggesting, of course, is that the increased financial strength which the European members of our Alliance have been successful in achieving should permit of more liberal commercial policies, increased foreign investment and a more direct participation in plans for the assistance of less-developed countries, whether inside the Alliance, or outside. I am not suggesting that the NATO machinery should be used to develop plans to these ends. There are other organizations designed for economic co-operation and more suited to this purpose. But discussions of political and economic problems in NATO should be carried out against the background of these objectives.

Summit Meeting

With the visit to the U.S.A. of Mr. Khrushchev we have entered a new phase of diplomatic activity and it does present NATO and NATO governments with problems as well as opportunities. While we do well to take stock of those problems, it would, I think, be a great mistake to be so preoccupied with them that we neglect the negotiating opportunities which may be before us. It is equally true, of course, that we must not be so enthusiastic about what we hope will emerge from negotiations that have not yet taken place that we neglect the very real basis of strength which is and will remain a necessary prerequisite for successive negotiations until real disarmament has been achieved.

We now look forward to a summit meeting. The question is no longer whether such a meeting should be held but when and where and on the basis of what Western positions. The Western negotiating powers will be expected to keep the Council in their confidence in the preparation of the questions under consideration. If negotiations are to be fruitful between the Great Powers, the West will have to continue to work together. The Council should become the laboratory of the West in the formulation of its policies.

Conclusion

In the competition or co-existence which we face, I believe that what unites us is always more important than any issues which may temporarily divide us. The function of leadership must be to place our internal differences in the broader and so much more important perspective of the values that unite our peoples.

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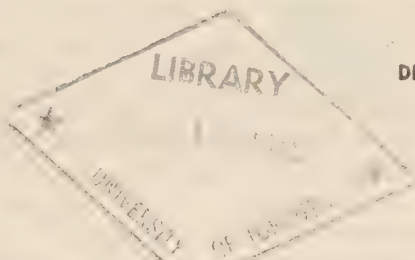
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No. 59/39

GENERAL AND COMPLETE DISARMAMENT

Statement in the First Committee of the United Nations General Assembly by Mr. W.B. Nesbitt, Vice-Chairman of the Canadian Delegation, on November 2, 1959.

The Committee is committed by the draft resolution before us to the proposition that disarmament is the most important problem facing the world today. This idea is not new, since disarmament has been recognized as an important problem throughout most of the twentieth century and as both an urgent and important one ever since the end of the Second World War. The new fact in the present situation is that 82 countries, by putting their names to the draft resolution, have subscribed directly to this proposition.

Of course we have had resolutions in this Assembly before which have recognized the importance of comprehensive disarmament and have set out procedures for dealing with it. We have even had resolutions on the subject with joint East-West co-sponsorship. For example, in 1954 there was a resolution, the original draft of which was prepared by the Canadian Delegation of the day, and which was eventually co-sponsored by Canada, the U.S.S.R., the U.S.A., the U.K. and France. That resolution, which was adopted unanimously, expressed the General Assembly's recognition that the continuing development of armaments increased the urgency of the need for a solution to the disarmament problem and concluded that a further effort should be made to reach agreement on comprehensive and co-ordinated proposals to be embodied in a draft international disarmament convention. We all know only too well the fate of the negotiations which were undertaken in response to that unanimous General Assembly appeal. This is no time to look backwards, but it does seem to me to be necessary to point out, as others have done, that unanimity with respect to an objective does not necessarily mean that the objective can easily be realized.

I think that the question at issue at the moment is not whether the goal of comprehensive disarmament under effective control is desirable - we seem all to have subscribed to that - but rather what steps we are ready to take to avoid the risk of mutual destruction.

The broad objective of a world without arms is one which the Government and the people of Canada have long cherished. During the years we have sought to devise means of arriving at that objective by contributing to a number of outline plans for comprehensive disarmament, as well as to plans for an initial stage. All of these plans have foundered, not on differences over objectives but rather on problems relating to the stages of transition from the present situation to a disarmed world. It is in this light that the various proposals put forward must be analysed in detail in due course. It would not be appropriate for such analysis to be attempted here at this stage. It is appropriate for all proposals, together with other comments and suggestions made, to be considered in detail in the ten-power Committee which, under the terms of the resolution before us, will have all of the relevant records available to it.

It seems to my Delegation that it is useful to draw a distinction between the discussion of principles which must underlie any viable international agreement to which all states are to be parties and the process of negotiation designed to find a solid basis for agreement on specific measures. In the field of negotiation it is clear that the initiative rests with the major powers. Our satisfaction at the establishment of the ten-power Disarmament Committee is based primarily on the fact that a forum in which the major powers have agreed to pursue such negotiations has been created. In agreeing to serve on that Committee Canada was motivated by the desire to facilitate successful negotiations and will direct every effort towards that end.

At the same time the General Assembly, both in the present discussions and in subsequent discussions in its Disarmament Commission, can make a useful contribution by trying to establish the principles under which disarmament and the general regulation and reduction of armaments in accordance with the terms of Article 11 of the Charter can be carried out. The ultimate responsibility of the United Nations for disarmament is generally recognized and the Disarmament Commission should, of course, be kept in being and informed of the progress in the ten-power Committee. That Committee in turn will have the benefit of views expressed here at the present session of the General Assembly and subsequently, we hope, in the Disarmament Commission. In this way those members of the United Nations which are not members of the ten-power Committee will have an effective means of expressing their views as to how the Committee's objectives can best be carried out. As the Canadian Secretary of State for External Affairs said in his statement in the general debate on September 24, the middle-sized and smaller powers must have an opportunity of being heard, for disarmament is of the deepest concern to all mankind. In Canada's work on the committee we shall at all times keep these considerations very much in mind.

It is apparent from what I said earlier in my remarks that the Canadian Delegation, in common with other delegations, is in complete sympathy with the broad objectives of the resolution before us. Even in the absence of concrete solutions to particular political problems the general international political climate is itself important to the solution of disarmament. We have already had evidence of this during the present debate. The series of meetings which the principal powers have embarked upon this year, the establishment of personal contacts through exchanges of visits by leading statesmen and the improvement of social and cultural relationships between states have all contributed to the creation of an atmosphere favourable to the initiation of negotiations of the sort which are now envisaged. The recent declaration by the President of the United States and the Chairman of the Council of Ministers of the U.S.S.R. that differences must be settled by negotiations and not by force can only contribute to the same ends. This specific undertaking, reinforcing as it does the undertakings contained in the Charter, certainly helps to create a favourable atmosphere for the negotiations which are to begin in the New Year in the Disarmament Committee. On the other hand, any revival of the cold war would make the process of negotiations on disarmament more difficult and would impede the achievement of the goals we all so earnestly desire.

Any development is useful which contributes to the search for a basis of mutual confidence which is a precondition for disarmament and secure peace. Whether it be in the political arena or in the field of armaments control and limitation, every opportunity should be seized, as long as the balance of security is maintained at each stage. There are several areas where measures could be taken which, while not properly disarmament, would contribute substantially to the necessary restoration of confidence between nations and at the same time provide experience in the mechanism of inspection, control and verification which could be of the utmost value in tackling the much more complex problems of disarmament proper.

One such area is the suspension of nuclear weapons test explosions. The extensive and serious negotiations on this subject have already demonstrated clearly that even in a relatively narrow and specific problem there is a wide range of complex issues to be resolved. We hope that the pioneering work which has been done by the U.S.A., the U.K. and the U.S.S.R. and is proceeding in the conference which has just resumed in Geneva will provide a pattern which in some respects at least will be applicable to other problems of disarmament. In particular we hope that a solution will be found to the central problem of how one reaches decisions in the control organ regarding inspections which may provide a useful guide for other deliberations. The basis of confidence which is necessary for the success of negotiations on any of the wider problems can only be achieved where there is supervised disarmament. There is therefore an inseparable relationship between disarming and control, which must be negotiated in parallel and put into effect together.

The same considerations, that is, the establishment of confidence and the gaining of experience in methods of inspection and supervision, apply to measures for the prevention of surprise attack. My Delegation sincerely regrets that the negotiations on this matter, in which Canada was participating, were suspended at the end of last year, for reasons which have already been made known. We consider those negotiations should be resumed and hope that the creation of the ten-power Committee will provide an opportunity for further consideration of measures for preventing or controlling the danger of surprise attack.

Several delegations have already made in the present debate suggestions concerning matters which might appropriately be taken up by the Disarmament Commission. I am thinking in particular of the questions suggested by the distinguished Representative of the U.S.A. concerning institutions to preserve international peace and security and to promote the rule of law when all nations will have laid down their arms. Specifically he asked what type of international force should be established, what principles of international law would govern the use of such a force and what internal security forces, in precise terms, would be required by the nations of the world if existing armaments were abolished. In addition the distinguished Representative of Italy has reminded us that total and general disarmament would imply revision of those provisions of the Charter which assumed that we might achieve partial but not total disarmament and which therefore presupposed the existence of national forces which could be placed at the disposal of the United Nations when needed for the maintenance of peace.

These are big and fundamental questions, which would have to be looked into by the international community in connection with discussion of means to achieve the goal of total disarmament. The Disarmament Commission of the General Assembly would seem to be an appropriate body to consider such matters. In this connection it would seem necessary to give careful attention to each of the interim stages on the path to total disarmament. During this period it is evident, as has been stated by several representatives, that progress in disarmament would be greatly facilitated by the development of effective institutions for collective security. This is a good time for the United Nations to take a fresh look at the provisions of the Charter in this respect. The collapse 12 years ago of the negotiations leading to measures for implementing Article 43 was due to reasons which were both political and technical. In the present political atmosphere, it may be that some of the technical reasons for the collapse - such as factors relating to disproportions in forces of various types - are no longer as relevant as they were. It may be timely therefore to re-examine together the relevant provisions of Chapter VII of the Charter. In any event, during the period while national forces

are being reduced in a step-by-step approach to comprehensive disarmament, we feel from our own experience that greater use might be made of the procedures which already exist for the provision of national contingents for United Nations observational and supervisory work. Another look might also be taken at the various suggestions for standby arrangements with a view to greater utilization of such procedures.

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No. 59/40 THE FUTURE ROLE OF GATT

Translation of a speech delivered in French at the Fifteenth Session of the General Agreement on Tariffs and Trade in Tokyo, on October 27, 1959, by Mr. Leon Balcer, Solicitor General of Canada.

...Both Canada and Japan are countries of the Pacific. Japan is one of Canada's most important markets and my country is a growing importer of Japanese goods. We value our trade relations with Japan and the close links between our two countries. Canada and Japan have exchanged most-favoured nation treatment through the GATT. We have found that, when problems arise in our trade, it is possible, in a friendly and constructive way, to find workable solutions acceptable to both countries. We look forward to a steady growth in trade in both directions to the mutual advantage of our two countries. We are most grateful for the hospitality of the Japanese Government on the important occasion of the Fifteenth Session, and especially in connection with the current meeting of Trade Ministers. I trust our deliberations will be as fruitful as our reception in Japan has been gracious and generous.

Canada continues to attach great importance to the basic principles and objectives of the General Agreement and their faithful implementation. This flows naturally from our profound interest in international trade and from the conviction that trade problems are best dealt with on the broadest possible multilateral basis. The GATT embraces over forty countries, which together are responsible for 90 percent of world trade. At this Session, we welcome the participation of Israel and Yugoslavia, and the Contracting Parties have before them a declaration providing for the establishment of closer and more effective relations with Poland. The family of GATT countries is growing and this is as it should be. It is recognition also of the mounting appreciation throughout the world of the value of multilateralism in world trade.

The GATT is the only instrument of international cooperation in the trade field which brings together trading countries on a world-wide basis. It is vital that full use be

made of it not only in dealing with the familiar and continuing problems of the past but also with the challenges of the future as we move from the period of postwar recovery and consolidation into the new era of the Sixties.

We may look to the years ahead with a good deal of hope and optimism. New problems there will no doubt be, and some of them will require a high degree of understanding and cooperation if they are to be resolved to the common good of the world trading community. But if we compare the trading world as it is today with the dislocation and difficulties which faced our countries at the time of GATT'S inception, we must be impressed with the very great progress which has been made and take heart for the future.

I doubt whether since, before the First World War, the international environment has at any time been more propitious for attainment of the broad objectives embodied in the General Agreement. The industrial countries have recovered from the recession of 1957-58. The reserve and payments position of the majority of countries has greatly improved. There has also been a strengthening demand for the exports of primary producers, an enlargement of the resources of the International Bank and the International Monetary Fund, and a growing understanding of the needs and potentialities of the less-developed countries. These are all evidence of the health and vigour of our world trading community. World trade is at record levels. The recent recession in North America has again demonstrated that periodic declines in economic activity on that continent need not have magnified repercussions in the rest of the world. Indeed, the maintenance of North American imports at a high level was a marked feature of the 1957-58 contraction.

Given sound domestic policies, we should be able to look forward to progressive growth of world trade in the years to come, unfettered by the restrictions which have plagued international commerce in the postwar years. The time has come to close the book on the postwar transitional period and the special international provisions which were made to accommodate the difficulties of that era.

Canada gives its full support to the programme for the further expansion of international trade which was decided upon at the last Ministerial Meeting. Committee One has made good progress in developing the necessary arrangements for the next round of tariff negotiations in 1960-61. These negotiations will provide a further opportunity to secure mutual advantageous lowering of tariff barriers and we recognize the value of the initiative taken by the U.S.A. in proposing this new round of negotiations. It is significant and welcome that the countries of the European Economic Community have indicated their intention to participate in meaningful tariff negotiations. Canada will participate in these important negotiations and we trust that no

trading country with a contribution to make will be absent from the negotiating table. Committee One has recommended rules for the negotiations and we shall be discussing the Committee's proposals during the Session. We wish to see these rules as simple and flexible as possible and believe that they should be based largely on those accepted for previous negotiations which have proved their worth in practical terms.

In Committee Two, consultations with individual Contracting Parties in the field of agriculture are continuing. When this process has been completed, it will be important to follow through. The emerging picture is one of widespread agricultural protectionism significantly interfering with the flow of trade. No one can realistically expect that national measures to support agriculture will be eliminated. For many reasons, social, political and economic, this is not possible. On the other hand, collectively we should be prepared to examine whether significant downward adjustments in the level of agricultural supports and the lowering of tariff and non-tariff barriers to trade in agricultural products are not possible and desirable both from the trade and domestic points of views. The vast array of impediments to trade in agricultural products stands out clearly as one of the areas to which the Contracting Parties must now address themselves.

Another area warranting the close attention of the Contracting Parties is the export trade of the less-developed countries. The desirability of greater stability in raw material markets has been widely recognized both as a trade matter and as it relates to the financing of development in the materially less-advanced areas. I am convinced that the best contribution which the industrialized countries can make in this field lies in the steady expansion of their economies, which will be reflected in orderly and growing demand for basic raw materials. International commodity arrangements have their place but are not the whole answer. Some commodities lend themselves to international marketing agreements, but others do not. Canada is a member of the International Agreements on Wheat, Sugar and Tin. We remain ready to examine individual commodity situations to see whether there is additional scope for arrangements of this kind which will take fully into account the interests of both producers and consumers.

But the interests of many of the less-developed countries are no longer related simply to trade in foodstuffs. Some of them in fulfillment of their aspirations to diversify their economies are emerging as competitive suppliers of manufactures goods and this is to be expected as their economies are developed. Contracting Parties must recognize this dynamic change and adjust to it. But the adjustment should be orderly, so that the sudden disruption of established industry in other countries is avoided. It would seem the wise and more forward-looking course for the highly industrialized countries to approach

the problem of low-cost industrial competition in a positive manner and with a view to finding a solution which will allow these exports to find an appropriate place in world markets. Similarly, the new suppliers should be prepared to take measures which would permit them to increase their exports without disrupting the internal markets of the importing countries. Orderly adjustment to the new pattern will require the cooperation of exporting and importing countries alike and there is reason to believe that solutions can best be found through the GATT, where most trading countries are represented. Bilateral arrangements cannot provide complete answers to these problems.

I have spoken of some of the problems of the future, but there are a number of current matters to which I would like to direct attention. It will come as no surprise if I refer first to the question of restrictions and discrimination. Since the Ministerial Meeting last October events have moved fast and in a most desirable directions. The introductions of convertibility for the world's main trading currencies, reflecting as it does the basic strength of the countries concerned, has created circumstances making possible the achievement of non-discrimination in world trade. Most countries now finance all or most of their trade in convertible currencies. The International Monetary Fund, in an important decision last week, has given formal recognition to the requirements of the current payments situation. We must now take full account of this decision in our work in GATT. We must make sure that the vestiges of quota discrimination are eliminated so that each of us may truly enjoy the benefits of most-favoured nation treatment in the markets of the others. We welcome the substantial progress that has been made in dismantling restrictions and eliminating discriminations, but much still remains to be done. Now that the payments justification for discrimination has disappeared, we must ensure here in the GATT that discrimination in the trade field is not perpetuated under any other guise. We must also ensure that restrictions are only maintained in circumstances where they are fully justified by the payments position of the country concerned. If restrictions and discrimination are used when they are no longer justified, a severe strain would be placed on trade relations between countries. We must take care to avoid unnecessary strains of this kind.

At this Session we shall again be considering the question of German import restrictions, this time within the framework of the waiver negotiated at the Fourteenth Session. We hope that Germany will proceed to dismantle its remaining restrictions more quickly than envisaged under the waiver. We look forward to examining the non-discriminatory administration of Germany's present quotas as required under Article XIII. We look forward also to reviewing the possibilities which exist for increased access to German markets for products still under restriction particularly in the field of agriculture.

The Canadian Delegation considers that another important task at this Session will be to discuss the European Common Market.

I wish to reiterate our sympathy for and understanding of the broad political and economic objectives of the Rome Treaty. We are well aware of the benefit and advantage that could flow for the trading world from a stronger and more prosperous EEC. We believe, however, that these benefits can only be realized if the policies pursued by the six are such as to strengthen and not impair commerce between the member countries and the rest of the world, consistently with the requirements of the General Agreement.

I understand that, by the end of this year, the Common Market countries expect to be in a position to give other Contracting Parties complete information concerning their proposed common tariff. Our next session will no doubt provide an opportunity to discuss and examine the level of this tariff and to make any recommendations that may be necessary. I feel certain that the Common Market countries will take fully into account their tariff obligations under the agreements and will wish to demonstrate their interest in expanding world economy by setting the common rates of duty at levels that will encourage trade with the outside countries. This is particularly important for Canada in the field of raw materials, many of which are on list "G", the tariffs for which as yet remain undecided. In a sense, the decisions of the six on the list "G" items will be a test of their intentions. Do they, as major manufacturers and exporters, wish to take advantage of world availability and world prices for necessary raw materials or do they prefer to insulate themselves to varying degrees from the world markets and to protect limited local productions without adequate regard to the higher economic costs involved? The world awaits the answer.

We are looking forward also to hearing from the Six about the common agricultural policy which is to be adopted by Common Market countries. This is a matter of major concern to many Contracting Parties. The policies of the Six in this field are being developed at a moment when, in Committee Two, the Contracting Parties are addressing themselves to the fundamental problems which arise in agricultural trade. Although the Rome Treaty spells out certain principles and methods, the contracting Parties have not, to date, had sufficient information to enable them to appreciate fully what is intended and what the implications will be for outside countries. I should like, here, to remind the Six of the necessity of avoiding a restrictive policy in this field, and to take into account fully the major trading interests of other countries. I assume that as soon as the plans of the Six in the agricultural field have been developed an opportunity will be provided for the contracting parties to review the proposed arrangements in the light of GATT objectives and principles and the requirements of Article XXIV. To permit a timely and expeditious review, various procedures can be considered in the GATT, but there should be no unwarranted delay. There is also the outstanding question of the association of the overseas territories of the Six with the Common Market. We have welcomed the opportunity which the consultations under Article XXII have provided to place before the Six

the concerns to which the proposed Association gives rise, particularly, but not exclusively, for the under-developed countries. It is not enough to think only in terms of mitigating damage when it occurs. Statesmanship requires consideration of measures to avoid unnecessary damage before it arises.

The Treaty of Rome is a fact of life and its provisions hold great hope for the future. To the extent that it poses problems for outside countries in the trade field, solutions must be found which will prejudice neither the legitimate objectives of the Six nor the Multilateral objectives of the Contracting Parties as a whole. I am confident that, given goodwill on both sides, common and fertile ground can be found. We have already heard a preliminary report on the proposed Convention for a Free Trade Association between the United Kingdom, the Scandinavian countries, Switzerland, Austria and Portugal, and we may be given further information later in the meeting. This new grouping, like the European Common Market, must, at the appropriate time, be examined by the Contracting Parties. The sooner the Contracting Parties can be informed of what is planned, the sooner it will be possible to form judgments and make any necessary recommendations. As in the case of the Rome Treaty, Canada is prepared to examine these proposals judiciously and sympathetically. We shall have to satisfy ourselves that what is proposed will conform with the objectives and principles of the GATT and in particular with the requirements of the relevant Articles of the Agreement.

... I have listened carefully to the statements made by Ministers and Heads of Delegations who have so far spoken. When I return to Ottawa, I shall be reporting to the Canadian Government on the many important points which have emerged. More than ever I am convinced of the need for maximum cooperation in the field of international trade and of the importance to this end of maintaining and strengthening the GATT. It is at Ministerial Sessions such as these that we are able to take stock and to chart the way ahead. Trade relations and political relations go hand in hand. We must ensure that trade continues to provide a beneficial link between our many countries. We must take care that through lack of foresight or understanding it is not permitted to become a divisive force between nations.

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No. 59/41

A RE-ASSESSMENT OF SOVIET ATTITUDES

Address by the Prime Minister, Mr. John G. Diefenbaker, to the Men's and Women's Canadian Club, Halifax, Nova Scotia, November 14, 1959.

All plans for economic prosperity within Canada depend on the maintenance of international peace.

There are some signs of a new spirit in the relations between the Western world and the Soviet bloc. The discussions between Prime Minister Macmillan, President Eisenhower and Premier Khrushchov have contributed in large measure to a reduction of world tension.

On the Soviet side, threats, abuse and suspicion appear to have given way to an attitude of greater moderation and understanding. Many different interpretations have been placed on the new Soviet approach. There are those who see it as reliable evidence of a genuine determination on the part of the Soviet Union to negotiate settlements of outstanding differences. There are others who cannot bring themselves to believe that Mr. Khrushchov's words of moderation are anything but a deceitful cloak for continued Soviet pursuance of aggressive aims. It is difficult to decide where the truth really lies, but it is necessary for the Western nations to keep under constant review the policies and tactics which are best calculated to advance the cause of greater international stability.

Nothing which emerged from Mr. Khrushchov's visit to the United States and nothing he has said publicly since that time justifies the conclusion that any of the basic Soviet positions have been abandoned or modified. The Soviet hold on Eastern Europe has not been relaxed. The German problem is as intractable as ever. There are no signs of a falling-off in Soviet defence preparations. There is still much room for skepticism as to the real substance of Soviet disarmament proposals. We should not leap to the conclusion that the differences we have lived with for more than a decade are on the point of being swept away, or that trouble may not arise again in areas which are at present in a state of quiet.

If these things are true, what then has changed and what basis for optimism or hope exists? I believe that, so long as we do not suffer from the illusion that Soviet foreign policy has undergone a basic change, it is possible to identify and to welcome certain modifications in the Soviet approach to international problems. There has been some recent concrete evidence to support this view.

It was a positive gain that, out of the talks which Mr. Khrushchov and President Eisenhower held at Camp David in September, the Soviet Government undertook to remove the pressure of a time element from the Berlin situation. It is now possible for the parties concerned in this dispute to approach a new stage of negotiation free from the shadow of an ultimatum. While no substantive advance towards a settlement of the Berlin issue was made, the Soviet Government evidently considered that it would be in its interest to remove a sore spot in its relations with the Western nations.

In his appearance before the United Nations, Mr. Khrushchov brought forward sweeping proposals on disarmament. Time alone will serve to test the real significance of that much advertised presentation, which left many questions unanswered. It may, however, be of some importance that in subsequent public statements Mr. Khrushchov has sought to counteract the impression that the Soviet Government would not agree to a realistic system of control and inspection in the implementation of disarmament measures. Progress on disarmament cannot be anything but slow, but we should not disregard the fact that the U.S.S.R. has agreed to participate in a committee of ten nations, including Canada, which will begin, after the New Year, to examine the whole range of disarmament problems. More recently the Soviet Government has agreed to co-operate in technical studies of United States data on the problem of detecting underground nuclear tests.

What is one to think of these developments in the field of disarmament? Perhaps the Soviet Government wants only to avoid being revealed as the stumbling block in negotiations. But again, the Soviet leaders now have the opportunity to demonstrate in concrete terms their desire for progress towards a world disarmament system.

Another example of the new atmosphere is to be found in Premier Khrushchov's speech of October 31 reporting to the Supreme Soviet on foreign affairs. Compared with previous Soviet statements on foreign policy, it was remarkable for its moderation. Four times Mr. Khrushchov acknowledged the need for mutual concessions if any progress was to be made in solving international problems. Once he went so far as to state that the Western nations had themselves already made concessions to

the U.S.S.R. This speech contained only commendation of President Eisenhower, Prime Minister Macmillan and President de Gaulle for their peaceful intentions. Even on Algeria, a favourite subject of Soviet vilification of France, Premier Khrushchov commented on the difficulties of the French position and spoke favourably of President de Gaulle's proposals for self-determination.

Again, it must be recalled that Premier Khrushchov has not weakened any position of Soviet power by making these statements. Past experience with the Soviet Union will warn us that we should not assume uncritically that these sentiments are proof of a change of heart among the Soviet leaders.

It is an open question in a totalitarian society such as the Soviet Union how much importance should be attached to public statements. Some people claim that such statements mean nothing because the Soviet leaders do not have to take account of public opinion. I believe that this is too superficial a view. Although public opinion in the Soviet Union does not have the powerful force it has in Canada and other Western countries, it cannot be denied that Premier Khrushchov is circumscribed by what he says in public.

When he publicly urged India and Communist China to settle their frontier differences, could the Communist leaders of China consider that they were being fully backed by the U.S.S.R.? And what must have been the Chinese reaction when, in Peking, Mr. Khrushchov seemed to imply the possibility of compromise with the United States as a long-term solution? One thing seems clear -- that these views reveal that the Soviet Union has vested interests which do not always coincide with those of Communist China.

One could speculate indefinitely on Soviet motives for desiring a relaxation of tension. It seems clear that one of Mr. Khrushchov's main concerns is to modernize Soviet society and to raise the standard of living of the Soviet people. To this end he no doubt requires the assurance of a long period of peace, with some relief from the burden of armaments production and with time to broaden and consolidate the Soviet economy.

Mr. Khrushchov is a realist. He knows that modern war is self-defeating and cannot be employed in the traditional way to back up the aims of foreign policy. The thought of nuclear war is no less appalling to Mr. Khrushchov than it is to the West. Perhaps too, he has discovered in his talks with President Eisenhower and Prime Minister Macmillan a reflection of the longing for peace which imbues the Western nations. In other words, it may have come home to Mr. Khrushchov as a result of his talks with Western leaders, that, despite long years of Soviet propaganda to the contrary, the launching of a war is not the intention of the West.

The fresh look which Mr. Khrushchov has given to Soviet foreign policy arises primarily from a deep-seated Soviet fear of nuclear war and its consequences. It might be influenced by possible Soviet concern about the long-range implications of the policies of Communist China. It accords better with the image of benevolence and reasonableness which the Soviet Union hopes to project in the under-developed world. Of more direct concern to Canada, a Soviet policy of conciliation offers a better prospect of driving wedges into the ranks of his diplomatic adversaries, of creating splits among members of NATO.

Whatever the accurate assessment may be of Mr. Khrushchov's motives, the problem before the Western nations is to determine how to respond to and encourage these changes in the Soviet attitude and yet at the same time avoid falling into a mood of complacency or divided counsels among the nations of the Western world.

The first requirement today is to keep striving for a high degree of Western unity. In the search for an acceptable basis for living with the Russians, the Western nations must remain true to each other, and must keep working to perfect their understanding. Earlier this month, when the Secretary of State for External Affairs, the Honourable Howard Green, visited Paris and London, this was the purpose he had in mind. In speaking to French and British leaders and to the NATO Council, he emphasized the Canadian view that NATO is an alliance of partners, that there is no place in NATO for different classes of membership, and that NATO's purposes cannot be fulfilled in the absence of full and candid consultation among its members large and small.

A distinguished Soviet visitor will be in Halifax next week in the person of the First Deputy Premier, Anastas Mikoyan, who will be stopping over for part of a day en route on an official visit to Mexico.

The process of consultation must be a constantly flowing stream. In addition to normal diplomatic exchanges between governments and in the NATO Council, it draws periodic infusions of renewed strength from exchanges of visits between Heads of Government and Foreign Ministers, and from meetings of the NATO Council at the ministerial level.

Another important type of consultation took place one week ago at Camp David, Maryland, at the Canada-United States Ministerial Meeting on Joint Defence.

One month from now, the regular Ministerial Meeting of the NATO Council will be held, immediately prior to the discussions scheduled for December 19 and 20 between President Eisenhower, Prime Minister Macmillan, President de Gaulle and

Chancellor Adenauer. In this way the four Heads of Government will have the benefit of the up-to-date views of the other members of the Alliance. Furthermore, when the so-called Western Summit Meeting has been concluded, a direct and immediate report on the outcome of that meeting will be made to the Foreign Ministers of NATO. The strengthening of Western unity and understanding is a major requirement.

It is equally important that the Western governments should not fail to maintain the climate of conciliation achieved in recent months. The Canadian Government has consistently advocated the early beginning of a series of summit meetings between the East and West, for there is no denying the value of personal diplomacy as an element in the process of fostering mutual understanding.

What should be the course followed by Canada in promoting the general Western effort to improve relations with the Soviet world? Subject always to the essential conditions of maintaining Western unity and preventing the growth of a mood of complacency or appeasement, there are certain general considerations which may help to guide our conduct.

It is to the advantage of the West to encourage the development of more normal societies in the U.S.S.R. and Eastern Europe and gradually to bring them into more normal relationships with the West. Despite the discouraging history of Western dealings with the Soviet world, the possibility exists that in the face of modern armaments and in the light of the requirements of internal development, the Soviet leaders are truly prepared to move towards a more reasonable relationship with the West.

There are certain specific avenues of progress which can help to increase our knowledge of the Soviet Union and Soviet knowledge of Canada and, in this way, to establish a basis for more normal dealings.

The Government continues to be interested in the possibilities of increased trade with the Soviet Union. Our experience in recent negotiations has not been encouraging, but we continue to believe that trade is a stabilizing element which should be developed in the fullest measure possible.

In general, therefore, while remaining watchful and realistic we should restrain ourselves from automatically placing the worst construction on Soviet actions. While standing united with our allies, we should not be afraid to match gesture with gesture with the Soviet Union and to meet, on our side, any genuine move that they are willing to make on theirs, towards living together in a better atmosphere.

In addition to the situation in Europe, there is also the need for the Free World to raise standards everywhere and to this end assistance to under-developed nations and areas is important. Material aid, however, has carried with it a suspicion among Asian and African peoples as to the objectives that the Free World has in mind as it distributes the largesse of humanitarian aid.

The Government has also encouraged exchanges of visits between Soviet and Canadian individuals and delegations in the cultural and scientific fields on a reciprocal basis.

The general principle which underlies Canadian thinking in this regard is that no reasonable effort should be spared to develop an inter-flow of knowledge and ideas which will help in creating a better understanding between Canada and the Soviet Union. Mutual knowledge helps to dispel mutual suspicion.

It is important in this respect that normal courtesy and restraint be shown towards Soviet visitors and Soviet diplomatic representatives.

What the forces of freedom stand for is little known to the peoples of the uncommitted world. I believe that there should be a joint declaration similar in kind to the Atlantic Charter, which will set forth the idealism and dynamic aspects for good of the forces of freedom and emphasize the willingness to work for the achievements of better economic conditions in an atmosphere in which equality and tolerance, personal dignity and freedom, can be assured to peoples everywhere, whatever their colour or race.

I would turn now for a few minutes to a discussion of another subject of great importance to all of us as Canadians. I refer to the relations in the economic field between the countries of the Commonwealth, and to the place they occupy in the broader context of world trade.

As you all know, Canada took the initiative in holding a Commonwealth Trade and Economic Conference in Montreal in September of 1958, and I think it would be useful to pause briefly to look back on that event in the perspective of the developments of the past year and to assess what it has meant to Canada. The central theme of that Conference was "An Expanding Commonwealth in an Expanding World". In other words, the main emphasis was placed on the inter-dependence not only of the member countries of the Commonwealth itself but of all the trading nations of the Free World.

The conference re-affirmed the common objective of freer trade and payments, and agreed that dollar discrimination should be progressively reduced and ended as soon as possible.

Of equal importance was the agreement reached at the Conference on the need to mitigate the adverse effects of protection afforded to basic agricultural commodities.

In the field of finance, the Commonwealth Ministers welcomed proposals for the expansion of the resources of the International Monetary Fund and the International Bank for Reconstruction and Development.

What has happened since then? I would not, of course, suggest to you that every favourable development can be traced to this Conference, but I have little doubt that the signposts set up by the Conference, have helped to point the way in the right direction and have given added impetus and encouragement to many of those trends in the Free World that were already emerging from the long and arduous postwar period of recovery.

For example, just under a year ago the United Kingdom, France and many other major trading countries moved a long way towards full convertibility of their currencies and concurrently lifted restrictions on a wide range of dollar imports. Progressive steps have since been taken by a number of Commonwealth countries to reduce further the scope of their remaining restraints on trade -- the most recent moves in this direction were announced by the United Kingdom on November 4 and by France on November 5. These have followed closely on the finding by the International Monetary Fund at its annual meeting in Washington last September that there is no longer any balance of payments reason for most countries to maintain discriminatory import control.

In another sector, the Contracting Parties to the General Agreement on Tariffs and Trade have established three committees on the programme for the expansion of international trade:

- (1) the problem of agricultural protectionism;
- (2) further reductions in tariff barriers to trade;
- (3) the problems of under-developed countries.

I think it would not be too bold to say that we stand on the threshold of a full return to those conditions of world trade which we would regard as normal and which the world has not witnessed since a brief period between the two Great Wars.

It is these conditions that Canada and the other Commonwealth countries so earnestly desire to see restored and preserved, for they cannot fail to benefit Canada as one of the world's greatest trading nations. Moreover, they provide a promise of a better life for peoples all over the world. In a world where trade could flourish and living standards rise, the age-old enemies of mankind -- want, hunger and social unrest -- will be kept in check.

Under the general heading of economic aid, three important decisions were reached and announced by the Canadian Government:

- (1) The decision to increase the annual contribution to the Colombo Plan programme from \$35,000,000 to \$50,000,000 annually, and to pledge such a contribution for a period of three years in advance;
- (2) The decision to establish a programme of technical assistance designed to benefit those countries of the Commonwealth which are not participating members of the Colombo Plan;
- (3) The decision in principle to establish a Commonwealth scholarship scheme at a total estimated cost of approximately \$1,000,000 per year. This programme was the subject of a Commonwealth Conference held at Oxford, England, in July of this year, at which the Canadian proposal for a Commonwealth scholarship plan was warmly received and approved. Measures are now being taken to complete the necessary administrative arrangements to receive the first intake of scholars under this plan in the fall of 1960.

In addition to these decisions reached at the Montreal Conference, the Government has recently approved a programme of assistance to The West Indies amounting to \$10,000,000 over a period of five years.

The atomic age is still a very new era of mankind -- less than two decades -- but even so it has brought perils as well as blessings. We may look to nuclear fission as the most powerful source of energy with the exception of solar energy. But we must be vigilant that these mighty powers are properly used for the benefit of men, women, and children. As we all know there are dangers in the radio-activity which, unless checked, could pollute our atmosphere to the point that lives are threatened and future generations born maimed, twisted or deformed.

Our foreign policy will always seek the peaceful uses of the atom. We stand against the testing of nuclear bombs, and we have made our position known at the United Nations.

We have gone further than that. Before the United Nations, Canada has taken the initiative in proposing a world-wide study of atomic radiation. From the start of the current session, our delegates have been busy meeting day and night with delegates of other countries, to line up the support for

some form of united world action. Canada wants to know -- exactly and without guesswork -- the amount of atomic radiation in each part of the world. We want this information to be available -- in as exact measurements as scientists can devise. We propose that radiation be studied in the atmosphere, and in the soil -- so that the air we breathe and the food we eat will be safe for life.

I think that I should point out that our scientists are satisfied that the amount of radiation over our country is well below the danger level.

But present safety will not satisfy us. We want the world to be aware of the problem of radiation, not in terms of a scare not related to facts, but in terms of reality based on scientific information. Then we may expect that the collective wisdom of the nations will ensure that we do not find ourselves in a race for the testing of nuclear weapons which could only turn the present threat of radiation into a hazard.

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THE STUDY OF NUCLEAR RADIATION

No. 59/42

Statement by Mr. Howard Green, Canadian Secretary of State for External Affairs and Chairman of the Canadian Delegation, in the United Nations General Assembly on November 17, 1959

Of all the scientific and technological achievements of recent years the unleashing of the power of the atom has undoubtedly been the most spectacular and far-reaching. Henceforth mankind must live with the atom. Already many ways in which this new force can serve man, in his pursuit of a better life, are known or are foreseeable. Yet, at the same time we must learn to control the terrifying potential of the atom for destruction.

The position of the Canadian Government on this question has already been made abundantly clear. For example, we are convinced of the need to reach agreement on the cessation, under appropriate controls, of all nuclear weapons test explosions. We hope that negotiations to this end and in the general field of disarmament will soon lead to an agreement stopping further such explosions.

However, even when this desirable result is achieved, the problem of ionizing radiation will still exist. There will continue for several years to be fallout of radioactive particles already in the atmosphere. There will also be long-term effects from the movement of radioactive isotopes through food chains. Even more important, there will continue to be for a long time genetic and biological effects from radiation, both man-made and natural, on the health of human populations.

In a manner of such concern to human life and to future generations, we believe it is vital to fill the gaps that continue to exist in our knowledge of the phenomenon of radiation. There is widespread concern that we should be able to assess more accurately than is now possible the nature and extent of the hazard resulting from the addition of man-made radiation to that which already occurs in nature.

The United Nations Scientific Committee on the Effects of Atomic Radiation, which was set up essentially for the purpose of enquiring into these questions, has done very useful work since it was established four years ago. Following its first comprehensive report, which was considered at the last session of the General Assembly, the Committee has gone on to prepare a programme of work for its forthcoming sessions. This programme appears to my Delegation to be well balanced and practical.

The Committee plans to continue its study of the physical aspects of fallout, the physical and biological problems concerning the transmission of fission products through food chains, and also the relationship between radiation dose and effects. It plans also to study genetic problems and the physical and biological problems concerned with Carbon-14 which remains radioactive for centuries.

In its work the Committee has received co-operation from many governments, from Specialized Agencies, from the International Atomic Energy Agency, from international non-governmental and scientific organizations as well as from individual scientists. It appears that useful arrangements have been worked out for co-operation between this Scientific Committee and the agencies concerned, which is a source of satisfaction to my Delegation.

However, it is clear that, notwithstanding this co-operation and the fact that the Committee has received much useful information on fallout, radiation levels and radiobiological questions from many member states, it requires more information on these questions in order to discharge its full responsibilities, and in order to make the maximum use of the scientific knowledge and skills available to it. Indeed, the Committee itself has found it necessary to invite member states to provide further data of the type already contained in its earlier comprehensive report and to suggest that this collection of information be supplemented in various other ways.

For the purpose of filling the gaps that continue to exist in our knowledge of the phenomenon of radiation, we believe the scientists should have at their disposal the fullest and most reliable information possible. This can be obtained only by the widest co-operation of member states and the international organizations concerned. We consider it important that a greater effort should be made to obtain such information and to enlist the necessary co-operation. We wish to place the authority of the General Assembly squarely behind this effort.

For this purpose my Delegation, in company with the delegations from Argentina, Austria, Czechoslovakia, Ghana, Ireland, Italy, Japan, Mexico, New Zealand and Norway, has presented the draft resolution which is contained in Document A/L 268.

In its simplest terms, what the resolution is designed to do, in addition to approving the various recommendations of the Scientific Committee, is to ask that Committee to examine the possibility of making arrangements, which I hope will be more effective, for the collection and analysis by member states of radiation samples of air, water, soil and food, on the basis of uniform standards; and also for the encouragement of genetic and biological studies of the effects of exposure to radiation.

In its examination of these questions, in consultation with the agencies concerned, the Committee may discover gaps in the technical resources of member states that would prevent them from contributing to this co-operative programme as they would like. If this should be the case, I hope that the agencies concerned will consider the possibility of extending assistance to fill these gaps.

In addition, the resolution asks member states having facilities for laboratory analysis to assist in analyzing radiation samples. The Canadian Government, for its part, is prepared to give assistance of this kind to other member states wishing to avail themselves of Canadian laboratory facilities.

We are prepared to receive from other states radiation samples collected according to methods recommended by the Scientific Committee in consultation with the appropriate Specialized Agencies, and to analyze such samples in the Canadian Government laboratories which handle Canada's domestic sampling programme. If other governments indicate their readiness to participate in such a co-operative programme of collection and analysis, the Canadian Government, as an initial offer, is prepared to receive and analyze on a regular basis samples of air, water, soil and food from 20 to 25 foreign sampling stations in each category.

Once it is known that others are prepared to co-operate in such a programme, these analyses could be undertaken within the space of the few months required to expand existing Canadian laboratory facilities and analytical staff. The Canadian Government is, of course, prepared to undertake that the analytical procedures used in its laboratories will be such as to ensure the comparability of results with those produced by other governments co-operating in a programme of this nature. We believe arrangements of this kind will materially assist the Scientific Committee in its task and we invite other governments to consider how they might participate in such a programme either through the collecting of samples or through providing facilities for analysis.

If, as we hope, there is a widespread response to our offer, as well as offers by other governments to make their facilities available, it is our understanding that the Secretariat of the Scientific Committee would be kept informed step

by step as appropriate arrangements are made between member states offering samples and those offering analytical facilities. The Secretariat would be notified of the availability of radiation samples by member states willing to collect them; it would also be notified by member states, and perhaps by the International Atomic Energy Agency, if they are able to receive and analyze samples in addition to those they have collected themselves. It is our hope that in this way arrangements between governments can be made whereby samples available for analysis are forwarded to the most convenient or appropriate laboratories. The results of the analyses would of course be communicated both to the Scientific Committee and to the country providing the samples.

In making this offer and in presenting this draft resolution for the General Assembly's consideration, the intention of the Canadian Delegation is to strengthen the Scientific Committee's hand and to authorize it to work out practical arrangements designed to secure more of the information it requires. The resolution leaves it entirely up to the Committee to decide how this can best be done and does not attempt in any way to direct or influence the Committee's scientific work.

All the suggestions in the resolution are within the terms of reference established for the Scientific Committee, which is already authorized to receive radiation data and to recommend uniform standards with respect to procedures for sample collection and instrumentation. The Committee has in fact already requested member states to co-operate along these lines.

The draft resolution before the Assembly is the result of lengthy negotiations among delegations representative of various geographical areas and political opinions. We therefore trust it will commend itself to all members of the General Assembly. It is a practical expression of what we judge to be a widespread desire that the Scientific Committee be strengthened in its work, to the end that man's knowledge of the biological effects of ionizing radiation may be as complete as possible. For this purpose it is important that the worldwide physical measurement of the intensity and distribution of radiation should be accurate and comprehensive and that research into the biological effects of radiation be based on the fullest and most reliable information.



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No. 59/43

CANADA IN WORLD AFFAIRS

An address by Mr. Howard Green, Secretary of State for External Affairs, to a Joint Meeting of the Empire and Canadian Clubs of Toronto, November 26, 1959

One month ago today the Department of External Affairs held a conference in Paris of the heads of 29 Canadian diplomatic missions in Europe and the Middle East. It lasted four days and we had an intensive discussion of various problems arising in those areas of direct concern to Canada and also problems of general international concern today. In other parts of the world are 22 more Canadian diplomatic missions making a total of 51. I mention these figures only to illustrate what many Canadians may not know -- that Canada is not far behind the major world powers in the extent of her diplomatic effort.

And in each one of these missions carefully selected Canadians are constantly conferring with government, business and other leaders in a variety of fields, keeping in regular contact with the Department in Ottawa -- and in short -- making it possible for Canada to play a very important part in world affairs.

And make no mistake about it -- that part is important. In fact, for no nation is there a greater challenge in world affairs or a greater opportunity for leadership than there is for our own Canada. We can perhaps give finer leadership than any other nation. Now why do I say that? Let me sketch for you a few pictures.

1. Our Ties with the United Kingdom and France

We have inherited from our British and French forbears traditions of justice, constitutional government and of individual liberty. Perhaps we should pause more often to count the blessings which have come down to us so easily from the two great races from which we sprang. I believe, too, that the very necessity of having had to make two cultures and two languages live and grow in harmony together has endowed us with qualities of tolerance and understanding which have great relevance to our attitude in international affairs today. I might add that our national

fabric has been tremendously strengthened by peoples from many other lands as well -- all of whom came here with a deeply ingrained love of freedom and with determination and initiative to succeed in the New World.

On my recent visit to France and Britain, it was perfectly obvious that the leaders of those two great countries were receiving me as a member of the family and not as a stranger. We must never underestimate the valuable asset we have in this easy and intimate relationship with two of the great world powers, from both of whom Canadian views will always receive the utmost attention.

Although we think and speak of them as "the old countries", I can assure you that they are young and new countries in their political and economic outlook. Both are enjoying an unprecedented prosperity, so well deserved after the sacrifices of two World Wars. Both are engaged in exciting and enlightened new political experiments in relation to their former colonial territories; the French, under the courageous and imaginative leadership of President de Gaulle, have founded a French community which bids fair to emulate the Commonwealth as a free and equal association of nations. To you yourselves who value so highly bonds of affection with the United Kingdom and represent loyalties which have meant so much in Canadian history, I do not need to elaborate on the far-sighted policy the United Kingdom Government is following in guiding its colonies into self-government and independence. This brings me to my second picture.

2. Our Membership in the Commonwealth.

We in Canada are sharing in this political evolution which has produced the Commonwealth of Nations. This is another association contributing to Canada's international strength today. Our Commonwealth is an association for which we have a deep sentimental attachment reinforced by the comradeship and common sacrifices made in two world wars. I, for one, never for a moment discount the value, in international affairs, of the very special fraternal quality that sets Commonwealth relations apart from the relationships with "foreign" countries, however close and friendly the ties with any such country may be.

But, of course, there is far more to this unique fraternity than mere sentiment. The Commonwealth is an entirely new concept embracing the belief that sovereignty, limited by a voluntary association with other sovereignties for the preservation of common values, is an acceptable, satisfying and civilized political order. It is, moreover, a dynamic concept with members being constantly admitted as they emerge from colonial to independent status. In 1957 we welcomed into the Commonwealth the Federation of Malaya.

Next year will see Nigeria take her place in our family of nations, and Canada will shortly be opening a diplomatic post in the capital, Lagos. Shortly thereafter our island neighbours in the Caribbean -- the West Indies Federation -- will be joining the club, and it has been one of Canada's policies to extend substantial aid and assistance to this potential full Commonwealth member.

The fact that these new nations are voluntarily joining the Commonwealth, graphically illustrates the kind of multi-racial community which is developing, bound together by common ideals and institutions, and exercising a profound influence for good throughout the world. I believe the Commonwealth offers a lesson for the world in that it points the way towards the only tolerable solution of the basic dilemma of our time -- the problem of achieving order with freedom.

There are lessons, too, for others in the way in which there is mutual assistance within the Commonwealth for improving the lot of the less-developed members. The greater part of Canadian assistance has been carried out under the Colombo Plan, to which we have this year raised our contribution to \$50 million. The full title of this Plan is "The Colombo Plan for Co-operative Economic Development in South and South-East Asia", and the word "co-operative" has been consistently stressed in the ten years of the Plan's operation. Working together there has been established a very fine relationship among the member countries of the Plan and the Plan lives up to its title.

Canada has found a large number of projects where Canadians and Asians have worked harmoniously together, have learned from each other and together have made an effective contribution to the development of a particular country. Canadian experts sent out to Asia and the Asian student trainees who have come to Canada in a two-way stream of traffic have enriched and broadened our understanding of one another.

3. Then to my Third Picture

Nearer home, we have a third source of international strength in our unique relationship with our large and great neighbour to the south, the United States. I say unique because here again we tend to take for granted the deep understanding and friendship which permeates the daily relations of our two countries. We have, of course, much in common through having developed, albeit in our separate ways, from common origins in a shared physical environment. But it is more than a common history and more than the mere fact that destiny has decreed that we share a continent that renders the Canadian-American relationship unique. I venture

to say that there are few neighbouring states in the world between which ordinary day to day life is so completely intertwined. There are few families in Canada which have not relatives living somewhere in the United States. Many of our clubs and other societies straddle the border, read the same magazines, listen to the same radio programmes, watch the same movies, and, for better or for worse, are exposed to the same quiz programmes. Commercially we are each other's best customers. Between no two other nations is there such a free interchange of ideas and products.

These intimate contacts at the citizen level are matched by a network of inter-governmental arrangements more complex than between any other two nations. In the realm of defence, we have the Permanent Joint Board, established in 1940; and, of course, NORAD, the jointly operated air defence command responsible for the air defence of the continent as a whole. For boundary questions, we have the International Joint Commission which, I believe, is an example to the world of how trans-boundary resources can be dealt with in a civilized and equitable way. Supplementing these formal arrangements are the inter-parliamentary groups which find members of the Canadian Parliament and of the United States Congress meeting annually or oftener to exchange ideas to the common benefit of both legislatures. At the ministerial level there are two standing committees, one on trade and economic matters and the other on defence. Less than three weeks ago, my colleagues the Ministers of Finance, Defence and Defence Production and I attended a meeting of the Canada-United States Defence Committee at Camp David at which we not only discussed frankly problems of bilateral defence concern, but also exchanged views on the broad range of international problems facing the world today.

Now I am not going to pretend that we never have any differences of opinion with our southern neighbours; we do, and these differences invariably get free play in the press of both countries. It is inevitable that the impact of a large population such as that of the United States on her much less populated neighbour is profound, and that we cannot afford to be complacent if we wish to preserve our separate identity as a nation. It is the Government's policy to speak up frankly when Canadian national interests are suffering as a consequence of United States policies. I would stress the word "frankly" but hasten to add that we get as good as we give. This is the way friends face and overcome their differences -- and I am sure you would have it no other way.

4. Canada and Latin America

As we survey Canada's role in world affairs, we should never neglect the close friendship we enjoy with other nations of the Western Hemisphere -- the 20 Latin American

nations to our south. Like ourselves, they are determined to be independent and to reach their own decisions in international affairs. Several, like us, are middle powers, and, like us, are exerting growing influence in the councils of the world. I have found co-operation with Latin American countries such as Mexico, Brazil and Argentina -- to name only a few -- both natural and useful in the United Nations, and I look forward to an intensification of Canadian trade and political relations with all Latin American states. I believe that many of you here today, with your far-reaching business connections, have much to contribute towards this objective.

5. Our Participation in the North Atlantic Treaty Organization

The fifth sketch I would draw for you is of Canada's partnership with 14 other like-minded nations in the North Atlantic Treaty Organization. One of the principles underlying the North Atlantic Alliance is that no state, however powerful, can guarantee its security in the nuclear age by national action alone. Since its inception in 1949, NATO has brought to all its members -- large, medium and small -- a measure of security and purpose in the face of a serious Soviet military challenge. The Treaty binds its 15 member states together for the defence of North America and Europe, and it is in recognition of the fact that the defence of the two continents is indissolubly linked, that Canada has maintained a fully equipped air division and brigade of ground forces in Europe, notwithstanding heavy defence commitments at home in North America.

Today NATO endows us with a source of mutual confidence and responsibility for the vital East-West negotiations lying ahead which no member, by itself, could have attained. That spirit of interdependence can be maintained and enhanced, however, only if the fullest advantage is taken of the opportunities for consultation which the NATO Council offers on matters which significantly affect the Alliance as a whole or its members. That is not to say that all NATO countries must speak with one voice on all questions. That is both impossible and indeed undesirable in an alliance of equals, for it is this very independence of thought and expression which distinguishes NATO from the Warsaw Pact.

It does, however, mean that by discussion of vital questions in advance of action by member states, such action may be taken in the light of and with a full appreciation of the viewpoint of other members, be they great or small powers. I believe this concept of consultation to be of the utmost significance in relation to the forthcoming East-West negotiations which, by the limited participation which is possible at such talks, will find some members of the Western team doing the negotiating and others on the side-lines. For this reason Canada has urged that the Western negotiating powers must keep the Council in their confidence in the preparation of a pre-summit negotiating position. It is for the

same reason that we have urged -- and successfully -- that the forthcoming NATO Ministerial Meeting in December should be so arranged as to both precede and follow the Western Summit Meeting between the United Kingdom, United States and France, in consultation with West Germany. This will help to make the NATO Council "the laboratory of the West" in the formulation of Western policies. It is here, too, that Canada will take advantage of the opportunity of having her voice heard in the preparations for summit meetings -- of which there may well be a series.

6. Our Role in United Nations

My sixth picture covers a wider canvas -- in a sense as wide as the world itself -- since it is of our role in the world organization, the United Nations. That organization since its inception has received strong and consistent support from Canada. Certainly the United Nations is not unlimited in its effectiveness and its authority is growing only with painful slowness; but I would remind you that these very limitations arise from the sovereign equality of the member states and from the tensions which prevail in a world divided into ideological camps.

Although it would be unrealistic to believe that the United Nations could achieve solutions to all current international problems, it is equally true that, if the organization should collapse, the world community would have no alternative but to erect a new similar organization in its place. It symbolizes and gives practical effect to mankind's desire for an ordered world and a betterment of international relations and human welfare generally. Without it there would be suspicion, hostility and probably chaos. Canada values highly the obligation and opportunity which United Nations member states have to consult together at regular intervals and to negotiate within the framework of a common objective -- world peace.

Indeed, it is in the United Nations that Canada enjoys one of its greatest opportunities to offer constructive leadership. I have been impressed by the respect we enjoy in that forum as a disinterested middle power. The reasons are not difficult to find; no one fears us because we are without territorial ambitions; no one harbours resentment towards us since we have never held sovereign control of an alien people; no one suspects us of coveting his national resources as we are known to have plenty of our own. We have many close friends through the associations which I have been sketching in my preceding five pictures, and have earned others by gaining a reputation for independent thought and objective judgment on issues that come before the United Nations. We border on three oceans and have an acknowledged interest in the affairs of all continents of the world; notwithstanding a top-notch fighting record in two world wars, we are accepted by all as

a peace-loving nation. We have won friends by lending generous assistance to less-developed nations both through bilateral aid programmes and multilateral ones under the United Nations auspices. Even the Communist states seem to regard us with less suspicion than they do most Western nations.

I might mention some aspects of Canadian participation in United Nations undertakings which have been occupying our attention at the current session of the General Assembly in New York. The Canadian initiative which has perhaps attracted the most attention was our proposal, eventually co-sponsored by ten other powers and unanimously endorsed by the Assembly membership, to encourage the world-wide collection and central collation of more accurate information on radiation. We took this initiative in the knowledge that even if nations agree to stop testing nuclear weapons, the problem of radiation will not vanish. It seems imperative that the substantial gaps which exist in our knowledge of this frightening phenomenon should be filled and that research into the biological effects of radiation should be based upon the fullest and most reliable information possible. I was greatly heartened by the enthusiasm with which the Canadian people greeted our initiative and by the complete support it received in the United Nations.

In other and perhaps less spectacular matters the Canadian Delegation has also been active. During the past year Canada has been a member of the Outer Space Committee, where useful work in the technical and legal spheres was accomplished. However, the Soviet Union declined to participate because of the make-up of the committee. If the committee is to succeed the Soviet Union must take part and accordingly some change in the composition of the committee is necessary. The Canadian Delegation has been applying itself to this problem and, of course, stands ready to participate fully in the committee's work when its new composition is agreed upon.

We have also continued our humanitarian contributions to the several United Nations programmes for refugees and took a lead, which we hope other nations will follow, in marking World Refugee Year with a special Canadian project for the admission to Canada of 100 tuberculous refugees and their families. In this endeavour the Federal Government has had the welcome support of some Provincial Governments and whole heartedly supports the National Committee for World Refugee War; shortly to launch its private campaign here in Toronto.

Towards United Nations efforts at peace-keeping and peace supervision, Canada continues to make a contribution in which, I think, we all can take pride. Our support for the United Nations Emergency Force in the Middle East continues undiminished and I believe it is true to say that we have contributed more manpower to various United Nations observation groups -- for example, in Palestine, Kashmir and Lebanon --

than any other single nation. In consequence, we have developed in Canada a very large corps of both civil and military observers highly experienced in this specialized type of work. Although we do not believe that a standing United Nations force in being is a practicable possibility today, we do maintain in Canada a battalion earmarked for service with the United Nations should the necessity arise.

Through our membership in the Security Council, we have played an active and, I believe, constructive part in the Laotian crisis and are gratified that our preference for the establishment of some form of continuing United Nations representation in that disturbed country has already been in part realized (thanks to the courageous efforts of Mr. Hammarskjöld, the United Nations Secretary-General

7. Membership in the 10 Power Disarmament Committee

Related to Canada's United Nations work, but nevertheless to be pursued in an outside forum, is the important part Canada is to play as a member of the new disarmament committee. We have accepted the invitation of the United States, United Kingdom, France and the Soviet Union to participate in the work of this 10-power disarmament negotiating committee -- the other four Western members being the United States, the United Kingdom, France and Italy. The activities of this committee, which will, we hope commence early in the new year, are intended not to replace but to supplement the responsibility of the United Nations in the field of disarmament. We shall at all times bear in mind that disarmament is a matter which deeply concerns great, middle and small powers alike.

Disarmament is a subject of special significance to Canada. Geographically we lie between the two nuclear super-powers; we are, in a sense, the ham in the sandwich -- and have no desire to be "minced". Continued tension heightens the peril in which our geography places us and gives us special reason to spare no effort to bring about a lessening of world tensions. We welcome the improved atmosphere which has resulted from the visits of Prime Minister Macmillan to Moscow and Premier Khrushchev to the United States and we look forward to the further progress in this direction which well may result from the Soviet leader's visit to Paris and President Eisenhower's return visit to Moscow. Canada believes that the present detente offers a new opportunity for progress in the field of disarmament and intends to press towards that objective through its participation in the 10-power committee,

These are the seven pictures -- our ties with the United Kingdom and France, our membership in the Commonwealth, our relations with the United States, our friendship with Latin America, partnership in NATO, our role in the United Nations and finally our membership in the 10-power disarmament committee. Others might be added but from these seven you will understand why I said in opening that Canada faces a great challenge in world affairs.

Add Canada's good record generally, her growing economic strength and the courage, common sense and God-fearing character of her people and you will agree with me that we can give leadership in the finest sense of the word.

Whether Canada does or does not will depend largely on the leadership given in the various Canadian communities. Here in Toronto each one of you here today is a leader -- some in Toronto, some from coast to coast. I am confident that the members of the Empire and Canadian Clubs of this city will do their full share to help Canada meet the challenge which faces her in world affairs.

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STATEMENTS AND SPEECHES



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DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

59/44

CANADA'S INTERNATIONAL ROLE

Transcript of an interview with the Secretary of State for External Affairs, Mr. Howard Green, by Charles Lynch, on November 21, 1959.

- Q: Mr. Green, you've been in office for less than six months and in that time you've been about as busy as a Minister could be, travelling to Europe, speeches around this country, and appearances and some very interesting attitudes at the United Nations. I'd like to run down some of these attitudes which made a good deal of news. The first is the radiation resolution on which you got a unanimous vote. To get that sort of thing, did you have to water the resolution down to the point where it might be meaningless?
- A: Well, we wouldn't have done that. We changed it a bit from the original draft in order to get the other nations to agree. However, the resolution as it was finally adopted by the United Nations, I think, covers the point that we wanted to cover.
- Q: And what is that?
- A: Well, we feel that there isn't adequate collection of information on radiation and fallout and the effects on different people. And while a great deal is done, we feel that a great deal more should be done.
- Q: Is this a move to reinforce an end to the nuclear bomb tests?
- A: Well, of course the bomb tests are one feature of the situation. But there is radiation from many other causes than bomb testing.
- Q: Do you think the unanimous vote you got indicates the sincere desire on the part of all nations, including the Communists, to do something about this?

- A: I think so. Actually Czechoslovakia followed us. The Czechoslovak Representative spoke after I did. The Czechoslovaks seem to be the leaders on this particular subject among the Communist countries. And they were very much concerned about the question, just as we were.
- Q: And you think their concern is just as sincere as yours?
- A: I think so. I think it is a very genuine concern among all the nations.
- Q: Do you think anything will happen quickly as a result of this resolution?
- A: We are hoping for very prompt action. This will depend a good deal upon the Scientific Committee of the United Nations. Canada will do her part.
- Q: There is a great deal of comment in this country about our stand on the racial discrimination in South Africa. Last year we voted against South Africa on the item. This year we are abstaining. Why did we do that? Is our attitude changing?
- A: For one reason the resolution this year was quite a bit more condemnatory than the resolution last year and this, of course, is always a difficult question because Canadians are very much opposed to an apartheid policy. At the same time, South Africa has been in the Commonwealth for many, many years and the nations of the Commonwealth try to work together, and it's just a question how you can best bring about the result: by condemning them or by not condemning them, and trying to work with them in friendly way. The British have the same problem as Canada. They voted with the South Africans. We didn't. We abstained. We voted for the general clauses of the resolution condemning an apartheid policy but where there were clauses which named South Africa, on these we abstained. And the Australians did the same thing.
- Q: Another item, again a matter of a good deal of attention: the balloting for the vacant seat on the Security Council and the fight between Poland and Turkey. Canada backs Poland. Why?
- A: We think they have a gentleman's agreement as to how these non-permanent seats should be divided, and our understanding of that agreement is that there should be one seat for Eastern Europe. Also we do not think that the voting for the seats should be made a cold war issue. Poland's candidature had been announced some weeks before the United Nations General Assembly met, and then at the last minute

Turkey was put up, and in our judgement it wasn't the sort of issue that should be made a fight between the East and the West.

Q: In fact, it became a tremendous fight and remains so. Do you think you achieved anything by backing Poland?

A: Yes, I think that Canada's stand is the proper one and now we're hoping that there will be a split term with each of the two countries taking one year. Whether that will be the end-result or not, I don't know, but that is what we are striving for.

Q: If that doesn't work, are you still behind Poland?

A: I don't know that. This will depend on developments within the next week or two.

Q: Still more controversy. The French plan to make and test an atomic bomb, and we voted against France's desire to do that. Why did we do that?

A: Well, we voted against having this nuclear test in the Sahara. Canada has taken the position that there should be NO more nuclear tests, and of course the French test comes in that category. Furthermore, this project has caused a great deal of concern among the African and Asian countries. They are deeply worried about it. We are worried about it from the point of view that we think there should be no more nuclear tests.

Q: We wouldn't, for example, let France test the bomb in our vast Northland somewhere to take the heat off the Arabs and the Asians?

A: I wouldn't suggest that. We don't think there should be any more nuclear tests.

Q: Yet another matter in which you have been very outspoken. The question of consultation within NATO in advance of the forthcoming summit meeting. Do you think in the closed circle of the NATO Council that Canada's voice can be heard loud enough to matter at the summit meetings this fall?

A: Oh yes, I think so. On this subject the position is that we cannot have all the NATO countries participating in an East-West summit. We have to restrict that to a small number. But then the other members of NATO must be given the widest possible opportunity to confer with the members

that are to attend the summit meeting. This is the basis of our stand and that stand has been agreed to by the bigger nations that are likely to be participating in the summit meeting.

Q: NATO's a military alliance, though, sir. Is there not a fear that the atmosphere of NATO is predominantly military and that their views on a variety of subjects might better be expressed in some other atmosphere?

A: NATO is really wider than a military alliance. It is true it is a defensive alliance but that involves political issues of many different types, and if all the Nations in NATO are not to be consulted on these political questions, then the NATO alliance is not very attractive. Certainly to Canada.

Q: You have said that you have insisted on a greater degree of consultation. Are you going to have strong things to say when you go there in December?

A: Well, I hope so.

Q: And are you going to have things to say to the Disarmament Committee in February?

A: Canada, of course, is one of the five Western nations on the Disarmament Committee. This a very responsible position in which to be, and we will certainly do our best to see that Canada makes a worth while contribution.

Q: Sir, these six months we have been talking about. We have covered a few of the subjects in which you have made news. You have been coming to grips with situations which you have never seen before at first hand. What is your impression on Canada's role and her influence in the world as a result of your first-hand experience, Sir?

A: Canada is in an extremely fortunate and challenging position for several reasons. For example, we have our great friendships with the United Kingdom, with France and with the United States. We have the position in the Commonwealth, which is of vital importance in the world today; and then our membership in the North Atlantic Treaty Organization, our neighbourliness with the Latin American states and the active role that Canada has always taken in the United Nations. There is perhaps no other nation in the world today in a finer position to give leadership than Canada.

Q: Leadership, you mean in the largest sense of that term?

A: Leadership in the very best sense of the word, I think we can do more for the world at large perhaps than any other nation today.

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59/45

NEW HOPE FOR ALGERIA

A statement on December 1 in the First Committee of the United Nations by Mr. Wallace Nesbitt, Vice-Chairman of the Canadian Delegation

... As we have been already reminded in this debate, this is the fourth session of the General Assembly at which we have discussed the question of Algeria. As has also been pointed out, however, and particularly in the wise and statesmanlike declaration of the distinguished Representative of Tunisia, the conditions surrounding our debate at this session are radically different from those which existed at any time in the past. My Delegation considers that, since September 16 of this year, the character of this question has been completely changed and a totally new point of departure for its solution has been provided.

On that date, ... the President of France, General de Gaulle, issued a declaration in which he recognized the right of the Algerian people--and he specified that by this he meant the right of all the people of Algeria--to self-determination. In the name of France he committed himself to asking the Algerian people to make a free choice of one of three alternatives, secession from France, out-and-out identification with France, or a middle course of federation with France. He has promised that he will negotiate a cessation of hostilities with the combatants now engaged in the tragic conflict in Algeria, and that this cessation of hostilities will be followed--and I quote "at latest four years after the actual restoration of peace" unquote--by a free referendum whereby the people of Algeria will be able to decide for themselves their own future.

Now Canada has been familiar, ... ever since General de Gaulle made his famous Brazzaville declaration in 1944, with this enlightened approach to such problems as that of Algeria, and my Delegation considers that the policy he enunciated on September 16, and reiterated on November 10, is a further expression of his liberal views and intentions. We have every

confidence in President de Gaulle's intention to carry this policy through to completion and also in his ability to do so. We believe, therefore, that his declaration of September 16 affords the basis for a real movement towards the final solution and settlement of the dispute which has plagued Algeria for so long. Indeed, we can already see signs in some quarters that this movement has begun, and we therefore hope and trust that full advantage will be taken of this encouraging situation at the earliest possible opportunity. Thus the way is open for the achievement of the legitimate aspirations on the Algerian people--aspirations ... which have attracted much sympathy and support, particularly in this forum where we are dedicated to the preservation of fundamental human liberties.

For this reason, ... the Canadian Delegation is very concerned--as, I am sure, are all members of the UN--for fear that some action, no matter how well-intentioned, might be taken which would hamper the chances of the peaceful solution to which President de Gaulle's proposals have opened the way. I think it important to keep in mind that outside action whether by individual personalities or states or by the UN might not necessarily be helpful.

We recognize the sincere desire of many delegations participating in this debate to devise a formula which would give expression to the concern of the UN over the conflict in Algeria and which would serve to advance the achievement of its solution. Indeed, many of our friends are among those working towards the end. These include countries like Canada, which are often referred to as middle powers, which have no vested interests in the problem of Algeria, and with whom the Canadian Delegation has been associated in the consideration of other items during this session. We appreciate the sincerity of their intention and we of course applaud their aim, but, viewing this problem as objectively as we can, we have serious doubts whether this is the way to approach the problem.

In the opinion of the Canadian Delegation, ... there is a very real possibility that specific action by the UN at this stage would not facilitate the achievement of a solution of the dispute in Algeria. The principles for a settlement in Algeria have been generally accepted as just and equitable, and the way is already being sought for negotiations which will lead to the application of these principles. It also seems to be generally accepted that nothing should be done which might cut across the current of these developments and hamper the realization of a solution. The statements which we have heard in the debate have unanimously echoed the concern of the international community that an end should come to this tragic struggle on a basis honourable to all concerned and giving Algeria the possibility of a hopeful and stable future.

We know that it is the habitual practice of his Committee to conclude our consideration of problems by crystallizing our views in a resolution. It occurs to me, however, ... that, when the exchange of views which we are now having draws to a close, we might well consider whether the best contribution which the UN can make to the settlement of the Algerian question is not to be found in the general expressions of concern and the encouragement to a solution which have been voiced here from all sides. If this view were generally accepted by the distinguished members of this Committee and of General Assembly, I do not think that it would be desirable for us to divide the Assembly by a vote which would undoubtedly hinder rather than facilitate the solution we all so earnestly desire. I should like to suggest that this is an occasion for self-restraint--for the UN, recognizing the indirect but very powerful influence which flows from our discussions here, to refrain from intervening at this delicate stage by way of a formal resolution.

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(GOVERNMENT)

STATEMENTS AND SPEECHES



OF CANADA



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OTTAWA - CANADA

No. 60/1

REVIEW OF CANADA'S ECONOMY IN 1959

by

Mr. Gordon Churchill, Minister of Trade
and Commerce, December 28, 1959.

This December marks not only the end of a year but also the end of a decade. For the Canadian economy it has been a decade of substantial growth and the period ends, as it began, on a strong expansionary trend. However, the prevailing conditions are quite different from ten years ago. In 1950 and the immediately ensuing years, the key stimulus to growth came from defence preparations and related demands emerging from the Korean crisis and the N.A.T.O. defence effort. At that time, shortages and fears of shortages were prevalent, excessive demand pressures created strains in some segments of the economy and prices rose sharply. By contrast the current expansion is anchored to the more solid foundations of constructive peace-time pursuits.

The growing needs of the Canadian people, whether for public facilities or for goods and services, have given the dominant push to the present upward surge of productive activity. During the past year, as the economy continued to move out of the 1957-58 recession, operating levels in most industries have moved closer to capacity and the productive resources of the economy generally have been more fully employed. At the same time, in no area of production has demand become excessive, price changes have been moderate and the general level of prices has increased only slightly. A strong rate of growth has been experienced without dislocation or strain.

Production and Employment

Canada's Gross National Product in 1959 has increased by 7 per cent from the level of the preceding year. Prices have risen on the average by 2 per cent. This means that total national output, in physical volume terms, is up by about 5 per cent. Agricultural production in 1959 has been affected by below-average harvests of grains

and some other crops, but most other industries have experienced substantial gains. Industrial production has increased by 8 per cent.

Expanding production has, in turn, meant more jobs. Total employment has been nearly 3 per cent higher on the average in 1959 than in the preceding year. The long-term decline in farm employment has continued, but non-farm job-holders increased by $3\frac{1}{2}$ per cent. New job opportunities have kept ahead of the expanding labour force and unemployment has declined. Considered as a proportion of the labour force, the number of jobless persons in Canada fell from 6.6 per cent in 1958 to 5.6 per cent in 1959. By November, unemployment was 18 per cent below the level of a year ago.

Incomes and Consumption

The improved tempo of economic activity has been reflected in higher returns to all major income groups. Higher operating levels in industry have contributed to a sharp recovery in corporate profits, together with a further increase in wage and salary scales. Increased rates of pay, together with more and steadier employment, have raised labour income by 8 per cent this year compared with last. All major categories of investment income have increased. Government payments to individuals have shown a further slight increase, following on the substantial rise of the preceding year. Despite lower prices for some commodities and below-average harvests, cash returns to farmers have been well sustained. Personal income in total, after deducting direct tax payments, increased by 6 or 7 per cent between 1958 and 1959.

This strong income trend has provided the basis for a quite substantial rise in consumer spending. Durable goods, in particular, have surged ahead with automobile sales up 15 per cent and most of the major household appliances also showing substantial gains. Spending on each of the major categories of soft goods, and on services, has shown at least a moderate rise. Consumer spending in total is up by 6 per cent. With consumer prices having risen little more than 1 per cent, per capita spending in real terms has increased 2 to 3 per cent, a better than average gain.

While spending more, Canadians have also been saving more. As a proportion of disposable income, savings in 1959 have reached the unusually high ratio of 8 per cent. Thus the financial position of the Canadian consumer remains strong, while living standards have improved.

Investment

Capital spending, both private and public, has risen slightly in 1959. Commercial, institutional and public investment has comprised an increased proportion of the total program. In basic industries, such as mineral products and fuel and power, the build-up of new capacity, though not as

great as in preceding years, continued on a substantial scale. Capital spending in manufacturing amounted to \$1.1 billion. Housebuilding has been maintained at a high level, but is lower than in 1958 when the volume of residential construction far surpassed that in any preceding year. It is estimated that housing starts for this year will reach the 140,000-mark, compared with 165,000 in 1958, while completions will approximate last year's record of 147,000 units.

Though only slightly higher for 1959 as a whole, the trend of total capital spending has been moving upward since the beginning of the year. New orders in capital-goods industries are rising and employment in construction has increased. The recent pick-up in housing starts, following the resumption of the loans-to-builders program during the fall months, and the continuation of the winter works program should provide a significant boost to construction activity during the winter.

Foreign Trade

Canada's exports in 1959 have moved upward with the general recovery in world conditions, after having been maintained in the preceding year despite a lower level of trade in the world at large. On the basis of figures available to date, the total value of exports in 1959 will approximate \$5.2 billion, an increase of about 5 per cent compared with the previous year and the highest figure ever recorded. The principal increases appear in wood, mineral and metal products, including lumber, woodpulp, newsprint, iron ore, uranium, iron and steel and asbestos. Among more highly manufactured products, farm implements and beverages have shown notable gains. Sales of wheat have held close to the high level of the preceding calendar year. Restraining elements in the upward trend of total exports have come from the tapering off in last year's heavy flow of beef to the United States and the completion in 1958 of non-recurring contracts for military aircraft to NATO countries.

Looking at Canada's exports by broad market areas, the principal increase in sales has been to the United States. Despite the dampening effect of the steel strike upon industrial activity during the latter part of the year, exports to this market for the year as a whole have increased by 11 per cent. Sales to the United Kingdom have remained steady and those to the rest of the Commonwealth have declined slightly. Shipments to all other countries combined are down, but if aircraft are excluded the trend is roughly unchanged. Within the total, however, sales to Japan have risen by about one-third from a level of \$105 million in 1958.

Canada's foreign purchases have risen in response to the improvement in economic conditions domestically. On the basis of 10-month figures, total imports have increased by 9½ per cent compared with 1958, but remain below the level reached in the preceding year. The increase from last year

to this is spread over a wide range of consumer, capital and producer goods, with higher purchases of automotive goods and farm implements particularly prominent in the total. However, certain important basic materials, such as coal and petroleum products, have lagged behind the general upward trend. To some extent, this is a result of temporary influences, but it also reflects a lessening dependence upon foreign sources for this type of product. Geographically, purchases from each of the major trading areas have risen, but in percentage terms the increase is greater for the United Kingdom and other overseas sources combined than for the United States. Consequently, Britain's share in Canada's import market has continued to expand and presently stands at 10.4 per cent, compared with 9.3 per cent in 1957. Over the same two-year period, the United States share has declined from 71.1 per cent to 68.3 per cent.

Because of the sharper rise in total imports than in exports, Canada's imbalance on merchandise trade is presently higher than in 1958, but remains below the levels reached in the two preceding years. Most of the rise in the merchandise deficit this year compared with last appears in the form of a lower surplus with overseas countries. The deficit with the United States has changed but slightly. Canada's imbalance on non-merchandise items, such as tourist expenditures and interest and dividend payments, has continued to increase. For the first nine months of 1959, Canada's deficit with the rest of the world on all current transactions amounted to \$1119 million, compared with \$788 million in 1958 and the record of \$1171 million reached in 1957.

This deficit on current account has been covered by an inflow of capital funds. Even with the high volume of domestic saving, Canada's expansion continues to proceed at a pace involving extensive reliance upon foreign resources. The premium on the Canadian dollar has been higher, on the average, than in the preceding year.

Industry conditions

The general economic improvement during the past year has been accompanied by widespread increases in activity throughout all major sectors of Canadian industry. Within the home market, shipments for domestic producers have, for the most part, kept pace with imports, although there have been notable exceptions, particularly in certain consumer goods lines where import competition has been intense.

Recovery in material-producing industries has been led by primary iron and steel, which has experienced the dual stimulus of rising consumption and restricted North American supply resulting from the shut-down of United States mills. The Canadian industry has been operating at full capacity for some months and production has risen nearly

two-fifths in the current year. Iron ore output and exports have also increased by about 40 per cent. Non-ferrous metal producers have, for the most part, witnessed a general improvement in market conditions despite adverse influences affecting certain items. The uranium industry has had a year of high operations but now faces a period of adjustment.

Within the fuel group, petroleum production and refining have increased moderately in response to rising domestic consumption and larger exports, following the removal of American restrictions against Canadian oil. A continuing expansion in distributive outlets has been accompanied by a substantial increase in the production of natural gas. On the other hand, operations in the coal industry have continued downward in the face of strong competition from other fuels. Lumber products had experienced an early recovery in 1958, which continued into the current year. Despite the moderating trend in housebuilding in both Canada and the United States and the late summer work stoppage in British Columbia mills, total production in 1959 has held to about last year's level. Canada's newsprint industry tended to lag behind the general recovery in its early stages but, with the continuing rise in North American consumption, has subsequently been moving steadily ahead. By October, operations in the industry had risen to 90 per cent of capacity while production in the year to date is up by 4 per cent.

Woodpulp output has shown a stronger year-to-year advance, reflecting principally the strong demand for kraft pulps. Chemicals production, which had continued to advance during the 1957-58 business contraction, has remained roughly unchanged during most of 1959. Early-year weakness in paints and fertilizers has offset gains in other products. With construction work at a record level, building material producers have had an unusually active year.

Consumer-based industries, though in some cases facing stiff competition from imports, have had the benefit of a stronger trend of consumer spending. In the case of automobiles, from last year to this, the proportion of European-type cars in the Canadian market has increased from 20 to 25 per cent. Nevertheless domestic production of passenger cars ran well ahead of last year's level until the recent shut-downs caused by shortages of parts from the United States. To mid-December, production is slightly up compared with the 1958 position. In the commercial vehicle field, where imports are relatively small, output is up by 15 per cent. In most electric appliance lines there has been a pronounced increase in both production and sales.

Imports of some items, such as refrigerators and freezers, have fallen sharply mainly as a result of curtailed production in the United States. Textile, clothing and

leather footwear trades have experienced a moderate rise in business volume, but in all major categories except woollens, imports have increased more than domestic shipments. Operations in the food and beverage industries continued to expand during the past year with the sharpest increases occurring in meat packing and soft drinks production.

Among Canada's equipment-producing industries, output of farm implements moved up substantially to continue the recovery which started in 1957. Sales rose sharply in both the domestic and American markets. More recently, production in industrial and business machinery lines has shown improvement following the upturn in business investment. On the other hand, activity in railway equipment industries has been at a relatively low level. Output of heavy electrical apparatus has declined for the second consecutive year, but the commencement of several new expansion projects in the electric power field suggests an early improvement in the order position of this industry.

Meanwhile, activity in the service trades has been expanding steadily, and it is here that the principal increase in employment has taken place.

Prospects for the Coming Year

After moving sharply ahead in the early part of the year, the tempo of economic activity in Canada slackened somewhat in the summer months. Subsequently, the pace of advance has again quickened, and key economic indicators are presently pointing toward further expansion.

The international economic climate at this time appears particularly favourable. There is general expectation that the American economy will move ahead with renewed vigour, providing the steel strike is not resumed. In other industrial countries, business activity continues to advance after a year of steady expansion. The balance of payments positions of these countries have strengthened and their reserves have increased substantially. The world's main trading currencies are now convertible and discrimination against dollar area exports is being progressively eliminated. Import restrictions are being relaxed and removed. Moreover, with the vulnerability to balance of payments difficulties greatly reduced, the growth of internal consumption and investment levels in many foreign countries is no longer subject to the same limitations as previously. Meanwhile, under-developed countries have benefited from a moderate improvement in world commodity markets. These developments have already resulted in a considerable increase in the level of international trade.

In the early stages of this world expansion, the major material-consuming countries, such as the United States, relied to a large extent upon available domestic capacity to

provide for their mounting requirements of industrial materials. However, further growth of production in industrial countries is likely to be accompanied by increasing reliance upon Canadian as well as other outside sources of supply. The level of Canadian exports is already rising and continuation of this trend would exert a dual stimulus within the economy. On the one hand, it would bring into use recently-created capacity in Canada's export industries. Secondly, it would generate new interest in industrial expansion and thereby reinforce the rising trend of capital investment now underway.

What is presently known of investment plans for 1960 suggests that capital outlays by the business community will increase considerably. A stepped-up rate of expansion is indicated in the commercial sector, in manufacturing and possibly in some utilities also. The level of outlays in other fields of investment will depend in large part upon the physical and financial resources which they are able to command. For example, the reduced availability of mortgage funds has already brought about a decline in the level of private house building, but the recently-announced increase in the maximum rate on loans insured under the National Housing Act will facilitate the flow of money to this area. There is now clear indication that total investment, both private and public, will be up in the coming year.

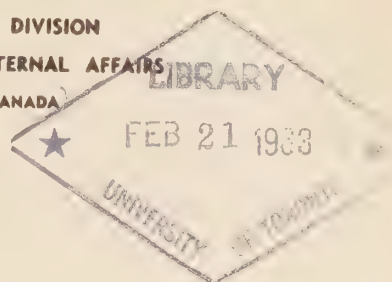
Prospective growth in both exports and investment will help to sustain the current upward trend of personal incomes and contribute to further strengthening in other market sectors. The consumer market in particular gives promise of continuing buoyancy in the period ahead.

These considerations suggest that total demands upon the economy are likely to continue to increase, resulting in a further expansion of output and employment. While productive resources have become more fully utilized over the past year, there is still a considerable amount of available capacity in most industries. In addition, manpower and plant capacity are growing steadily. In these circumstances, it would appear that a production increase of considerable dimensions could take place without giving rise to excessive pressure upon productive capacities. At the same time, it is important that demands be kept within the scope of available resources. If this objective is achieved, Canadians can look forward with confidence to the continuation of sound economic growth.

APR 6 1961

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA



60/2

RESOURCES FOR TOMORROW

A Statement by Mr. Alvin Hamilton, Minister of Northern Affairs and National Resources, at the opening meeting of the Steering Committee for the National Conference on Conservation, on December 17, 1959.

May I first of all express a very warm welcome to the Ministers and officials who have come from all the provinces to this second meeting to consider plans and preparations for the National Conference on Conservation.

The first meeting, which was held just a little more than a year ago, decided that the conference that we have in contemplation should be limited to renewable resources - that is, the resources of soil, water, forests, wildlife, fish, and recreational facilities - all of these resources that are of great importance in the fabric of our national life. The Federal Government is, I can assure you, amply aware that the primary responsibility in many of these fields lies with the provinces - and that most of the resources to which I have referred, in so far as they are a matter of governmental property, are the property of the provinces. The Federal Government has not the least desire to extend its responsibilities or to interfere in any way with the jurisdiction that is properly that of the provinces. The Federal Government has, however, certain responsibilities of its own in these fields.

First, the Government of Canada has a direct interest in the whole nation's material welfare and well-being which results from the pace with which the ten provinces develop (or do not develop) their renewable natural resources. This is what is called the "national interest".

Secondly, the Government of Canada has the direct responsibility for the development of the resources of the Northern Territories which cover 40 per cent of Canada's land mass. In this role, my Government is the trustee of the provinces

which will eventually be established in those territories. The federal responsibility is identical with the provincial responsibilities within their legislative jurisdiction.

These, then, are the two "national" and "provincial" interests which will affect the Federal Government's attitudes in the course of the National Conservation Conference. My colleagues and I hope that a free and full exchange of views through the means of the proposed National Conservation Conference will benefit Canada in all its constituent parts and the several governments responsible for the nation's material well-being.

Apart from such responsibilities, it has, moreover, seemed to us that it is of the greatest possible importance that the great questions that relate to the use of these resources should be examined by all interested agencies - sitting down together and discussing them from the point of view of the nation as a whole. They are too important for us to run the risks of inadequate or possibly conflicting lines of action or to incur the possibility that we may, by failure to look at these questions together, leave gaps and omissions in our administrations that may injure the prospects of this great country - or may diminish the patrimony of the people who come after us.

It is for these reasons - because of our common interest and of our common responsibility both to Canadians of today and to Canadians of the future - that we who are representing the Federal Government here today are particularly glad to have the representatives of the provinces sitting with us again to discuss these questions.

Perhaps I should briefly review the background of the proposal that a National Conference on Conservation should be called.

We are all, I think, well aware of the way in which the population of the world and the population of this country are steadily increasing. Along with this growth of population we have at the same time a progressive effort to raise the living standards of many of the countries of the world that have not thus far enjoyed our own standards. Combined with this is a steady growth in industrialization and its concomitant demands for the sources of power and for resources of all types. These growths are the indication of the demands that there will be in future years for the resources that this country contains. The growth in our own population is the measure of the more immediate increase that there will be in pressure upon all the resources that are close at hand - particularly those in the renewable field. These are the pressures that we have to think about - and prepare for.

- 6 -

It is not many decades ago that the people of the United States thought of their resources as being illimitable and as being open to exploitation in any way that might suit best the needs of the moment and the production of a profit. It seemed inconceivable that there had to be any care in their application or use or that a situation could ever arise in which the resources would seem inadequate. We all know how that picture has changed. In some places even the air that people breathe is becoming a scarce resource as pollution of industries fouls it. For many cities the problem of water supply is exceedingly difficult and expensive - partly because the requirements of today were not foreseen in time, drainage basins were not protected, pollution was permitted, ground-water levels were allowed to fall, and many other problems were made inevitable because of inadequate planning and coordination. The Paley Commission recently reviewed the resource situation in the United States and in almost every field it pointed to the shortages that will affect that country in the years immediately ahead.

To some degree we in Canada stand today where the United States stood four or five decades ago. It is our responsibility to do whatever we can to ensure that these priceless resources are used wisely, are used to produce a perpetual wealth of benefits, and are used as an integrated whole to secure the optimum advantage for all the people of Canada.

It was in the light of the above considerations that the Prime Minister of Canada indicated on February 12, 1958, the decision of the Federal Government to consult with the provinces about the calling of a National Conference on Conservation. The Prime Minister was, of course, well aware of the measures that have been taken in the past - and that are being continued today - for discussion and co-operative work in particular resource fields. We have periodic meetings at governmental levels and also among non-governmental organizations in the fields of mining, forestry, fisheries, agriculture, and so forth. These are highly desirable and they have been most productive and helpful. We have not, however, since the turn of the century called together a group of the responsible governmental and other agencies to take a look at the complex of our resources as a whole. It is in this regard that it seemed to the Federal Government that there was scope for a new initiative that might be of great value to the country as a whole. We felt that the governments and other agencies by sitting down together could review the policies that have been followed and the work that has been done in order to see whether there are any shortcomings in it - whether there are gaps that should be filled - whether there are new lines of action that ought to be taken. There is value in assessing our present position, in looking at what the future will bring, and in considering how best we can meet the needs that we can foresee.

In these studies we should have an examination of measures now being taken with regard to research in the field of renewable resources generally. There ought to be a paper on population and resource demands, now and in the future; on technological changes and their implications for resource use. There should be a study of the adequacy of our inventories, particularly in the realm of forests and in relation to soil surveys and land mapping. We require an examination of the pressures of urban and industrial development upon the availability and use of land for agricultural purposes.

In the case of water, there are many very important questions to be examined. We know that pollution is already a very serious problem. What measures are needed to control it so as to ensure an adequate supply of pure water for all the human and industrial requirements of the future? We know that river-basin and drainage-basin planning has to be undertaken as an integrated whole. The flow of water pays no regard to municipal or provincial boundaries. We know also that water is a resource needed for many purposes: for communities, for industry, for agriculture, for power, for fish. How should we deal with it to ensure its maximum value for the multiple uses of which it is capable? We have not gone into these matters much in Canada so far.

Turning to forests, I have already mentioned the question of inventories. We are aware that there are many aspects of forest research that have not been fully examined. Genetics and research have as much application in our forests as in the growing of wheat. What is going to be needed to ensure that our forests will be permanently available to supply the growing demands of our lumber industry? Are we doing all that we should? I doubt it. Our forest industry is of great importance to many parts of this country. The valuable and renewable resource on which it is based demands close and careful study.

As a practical example of the type of thing that concerns me, I would like to tell you of the findings of a Working Group sponsored by FAO which met in Rome in September last dealing with paper and paper board. This committee was made up of top level authorities drawn from the pulp and paper industries of 16 countries.

With new revised techniques for estimating future world demand, it is now estimated that, compared to the world consumption of 56 million metric tons in 1955, by 1965, only six years away, world demand will be 88 million metric tons. By 1975, only sixteen years away, world demand is estimated at 134 million metric tons. If Canada is to hold approximately 18 per cent of the world market, we shall have to produce 17 or 18 million metric tons of paper and export pulp by 1965, as compared to our present production of less than 11 million metric tons. By 1975 we shall have to produce 27 to 28 million metric tons. Have we pulp forests in accessible commercial positions to meet this

tremendous increase? It may well be that, by bringing into production undeveloped areas in Canada, we can meet the first shock of this greatly rising demand. I think even a superficial examination of the matter will indicate that this will not be enough. The industry may find it necessary, in co-operation with the provinces, to go into more intensive forest management (including improved silviculture) of existing timber limits. Therefore, you can understand that, if this coming Conference helps us work out the solution to this very practical problem, then the provinces and the country as a whole will benefit tremendously. It is clearly a test problem of making the best use of our resources all across Canada.

Wildlife is, I think, one of our most neglected resources - perhaps because its economic value is not as obvious as that of some other resources. Wildlife has, however, a most important aesthetic and recreational role, particularly with the growing urbanization of our society. The growth of cities, industrial development and the increasing number of human species are the enemies of wildlife. What should be done to further its management and protection to ensure that it will be available in future decades? How does it fit into the recreational pattern that will be of growing importance? Must the encroachments of homo sapiens press the fauna of this country to the brink of extermination? Not necessarily, but it can happen if we do not watch out.

In the case of fish and fisheries I am sure that there are many matters that we ought to examine. In my own Department, I have become aware of the conflict between the demands of industrial development and the requirements of our valuable river fisheries. I think there ought to be a study of this problem, and of the relationship of industrial growth and fisheries generally, since they are certain to assume greater importance in future. What is the relationship between the growth of cities and factories, with their problems of water pollution and waste, and the maintenance of our inland fisheries? This whole field is one with which I am not particularly familiar, but I feel confident that there are many problems that could be examined with profit.

Turning to recreational facilities, where I do feel more competent to speak, I know that there are many serious questions that are going to arise in future years. Our growing population, more and more of it centered in cities, with increased leisure time, a higher standard of living, and more mobility over highways and through the air, is going to bring a tremendous pressure on recreational facilities throughout this country. There has to be planning in advance to meet this need. This is one field where it is almost impossible to go back and pick up the pieces after mistakes have been made. What is needed to develop further our urban, provincial and national parks? Are we ensuring that we will have enough open spaces for future needs? What are

we doing to prevent the possible alienation into private hands of lakes, shorelines and river frontages that will be required for the recreation and health of a population three or four times the size of our present one? We should be thinking of these problems. We have not done so to any great extent as yet. The time to remedy mistakes is before we make them!

I have not attempted anything like an exhaustive list. These are simply subjects that have occurred to me as quite clearly needing study. Everyone at this meeting will think of many more. Probably we cannot hope to have papers on every subject that is important but we should at least select the most significant ones; get competent people to undertake their examination; and have for our Conference a good basis of information as to where we stand, what we need, and what our future problems may be. We will probably want at the Conference itself papers or discussions on the most outstanding questions. Consideration of this programme is, I think, the most important thing to which this meeting must turn its attention.

I believe that all provincial governments are pursuing with great interest the job of developing their resources consistent with good conservation practices. It is for this reason that I want to tell you that we, in Ottawa, are excited about this Conference because it gives us a chance to think things out together, to develop some new and useful ideas and to take a good hard look at where we want to go. There is really no alternative available to us because the pace of development must be stepped up. It is no longer enough to maintain a level of production, high as it may be. Rather, a satisfactory rate of growth must be defined and achieved. On this basis, we can move forward together in maintaining a vigorous economy.

The Federal Government, apart from the administration of resources assigned directly to it, has a responsibility in being alert to possibilities for joint action with the provinces. In the past, there have been too many instances in which it was difficult to make such working partnerships effective. I am blaming no one for this but I think I see the main reason for this situation. Briefly, it is that neither provincial nor federal agencies have had an adequate plan or framework against which to judge any given line of action that has been proposed. We have not had the principles worked out so that we could say that this is good and that is bad. Yet we need such a framework of principles for the development of our resources and I believe we will get them from the Conference. It seems to me that this is a crucial requirement if we are to move forward as a nation at a satisfactory rate of development.

With this focus to our discussions, the problems of providing the necessary capital for development are set aside for later discussions. It is a separate issue to be dealt with in terms of what we decide needs to be done. In other words, the

framework and the principles must be formulated first. Let us then confine ourselves to formulating these principles so that intelligent and constructive action can be taken by governments at all levels when financing of projects comes up.

The question as to the participation of non-governmental agencies is also important. I am confident that many of them can make a direct contribution. Many of them too can carry out the work of education and information in a way that governments cannot do. They can make our people conscious of the need for wise management and sound planning if our "renewable resources" are in truth to be renewed for the full benefit of this country in years to come.

I do not intend to go into more detail about plans or suggestions for the Conference. These can emerge in the course of our discussion of the various items on the agenda. I would simply conclude by saying that the more I have examined this matter the more I am convinced that there is a great national advantage to be served by a well-prepared and carefully thought out Conference to lead to a better understanding of the problems of our renewable resources. It is our task today to ensure that the Canada of the future has available to it, throughout the whole renewable field, the "Resources of Tomorrow" that it is going to need if the greatness and wealth of our nation is to be maintained.

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STATEMENTS AND SPEECHES

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60/3

REPORT OF THE AD HOC COMMITTEE ON THE
PEACEFUL USES OF OUTER SPACE

A statement by Mr. W.B. Nesbitt, Vice-Chairman of the Canadian Delegation, in the First Committee of the United Nations on Friday, December 11, 1959.

... To begin with, my Delegation would like to express its gratification at the patience and spirit of co-operation and good will among the powers concerned that have made agreement on this question possible and have produced the draft resolution now before us. It is a matter of particular satisfaction that this agreement provides for the creation of a United Nations committee in which the countries with the most to contribute in this field will be able to participate. It has from the beginning been the goal of the Canadian Delegation to see agreement reached on the composition of an outer-space body which would be broadly representative, both functionally and geographically, and in which the powers with the greatest experience and expertise in outer-space science and technology would co-operate.

We are convinced that every effort should be made to avoid, with respect to outer space, the difficulties which have arisen with respect to nuclear weapons through the failure to develop international agreements at an early enough stage. For the promotion of the overriding interest of the community of nations in maintaining the freedom of space for peaceful, scientific and beneficial purposes, for the promotion of international scientific co-operation in the exploitation for the benefit of mankind of the potentialities of outer space, for the establishment of the rule of law in outer space while there is still time, for the promotion of an international regime for outer space -- for all these purposes an indispensable first stage is the creation of a United Nations committee with a generally acceptable composition such as is proposed in the 12-power draft resolution.

Canada, which is a member of the new committee, as it was of the old, will of course dedicate itself to the achievement of the objectives for which the committee is being created and will do its best, as it did in the ad hoc committee, to make a contribution consistent with the knowledge and resources available to us.

While establishment of a permanent committee on outer space is a welcome and important event, we should at the same time not lose sight of the questions of substance which it involves, such as those covered in the ad hoc committee's report, or of the terms of reference of the new body. The ultimate end in view must of course be to promote international co-operation in, and international regulation of, the peaceful uses of outer space.

In approaching the work of the new committee, we should bear in mind that in scientific activities the conception of international co-operation has come to cover a whole range of activities: the traditional informal exchanges between scientists of different nations; more formal exchanges arranged by non-governmental international scientific organizations; and arrangements through inter-governmental organizations such as the United Nations. My Delegation considers it desirable to emphasize that the great preponderance of international scientific co-operation takes place through the traditional informal exchanges of the scientists themselves and, with a few significant exceptions, the objective of inter-governmental scientific activities should be to facilitate and supplement such exchanges but not to displace them. In this way the proposed international scientific conference can and should play an important role in the exchange of experience in the peaceful uses of outer space.

It is, of course, true that space research raises special problems because of its significance for defence and because of its extension beyond national boundaries. However, even in this field it is, we think, true that the best form of international co-operation would be through informal exchanges of scientists. The greatest contribution that the UN could make to the promotion of the peaceful uses of outer space would be to ensure that scientists throughout the world may pursue research in outer space with that freedom to exchange ideas and information that is traditional to scientists.

... In suggesting that informal exchanges among scientists constitute the ideal in international scientific co-operation, and that the success of any UN activity in this area should be measured partly against its usefulness in promoting fuller collaboration between scientists, I should not wish to imply that the United Nations has no more direct role to play. It is clear that there are large areas of activity in space research that must ultimately become

the responsibility of the United Nations, if only because activities in space are outside national boundaries and therefore raise legal and regulatory problems that can be settled amicably only in an international organization. It seems to my Delegation that the unique contribution to be made by the United Nations lies in these areas.

However, to suggest that there are certain regulatory functions which are appropriate to the United Nations, is not by any means to suggest that the United Nations itself should have the overriding responsibility. It is clear that some of the Specialized Agencies in their respective fields have a role to play. In their relationships to one another in the outer space field it is desirable to avoid the competition which has posed difficulties for the United Nations in other fields. There is a danger otherwise that much useful energy may be expended to little profit and we consider that the right basis for co-ordination must be established at an early stage. This is one of the questions which should be looked into an appropriate stage in the discussions of the new committee.

In approaching its task, the committee will have the benefit of the very useful preliminary work which was done by the ad hoc committee, as outlined in its report in Document A/4141. This report, which will be available to members of the new committee, provides a very useful, objective, and, we believe, comprehensive account of what the United Nations and related organizations and other international bodies have already accomplished in international co-operation in the peaceful uses of outer space. It also contains in the sections dealing with the work of its technical and legal sub-committee a broad indication of the problems of a scientific, technical, regulatory and legal nature which face mankind as it penetrates outer space, with some suggestions for possible approaches to the solution of these problems.

My Delegation considers that this report, which was adopted unanimously, is a very useful document, and we fully endorse the observations and tentative conclusions contained in it. We think that all concerned with its preparation are to be commended. They include the scientists and legal advisers to delegations, members of the Secretariat and above all the committee's distinguished chairman, Ambassador Matsudaira of Japan, as well as the other officers, Professor Ambrosini of Italy, who was chairman of the Legal Sub-Committee, Doctor Rose of my own country, who was chairman of the Technical Sub-Committee, and Ambassador Nisot of Belgium, the committee's rapporteur.

... The pace of developments in the exploration of outer space has been so rapid that conclusions arrived at even as recently as six months ago, however tentatively they may have been expressed, may no longer be completely valid. Indeed this possibility finds recognition in one of the

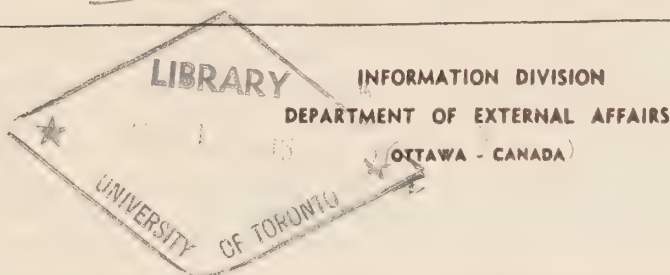
general conclusions set out on page 60 of Document A/4141 where it is stated, ... "Progress, plans and needs in connection with the peaceful uses of outer space should be reviewed again by the United Nations in about one year".

If such an early review is required on the organizational side with respect to the scientific and technological aspects of the peaceful uses of outer space it is even more necessary, in the view of my Delegation, in respect of legal problems. In the course of any review of the legal problems we consider that early consideration should be given to the whole range of problems relating to sovereignty in outer space. We are in complete agreement with the view expressed in paragraph 7 on page 63 of Document A/4141 that a comprehensive codification of space law is not practicable or desirable at the present stage of knowledge and development. However, we are also in agreement with the recognition given by the ad hoc committee to the need both to take timely constructive action and to make the law of space responsive to the facts of space.

In view of the physical penetration by man of the space beyond the earth's atmosphere and even beyond the earth's field of gravitation, my Delegation considers that one of the questions which the new committee should consider as a matter of priority is the formulation of a rule, and the means to gain universal acceptance of that rule, that no part of space or of any celestial body may be appropriated by or be subjected to the jurisdiction of any state. Perhaps this result could be achieved by the adoption, by the General Assembly on the advice of its Outer Space Committee, of a suitably-phrased declaration establishing this principle. Failure to take some such measure now to prevent the acquisition of legal rights in outer space may very well prejudice the ability of the community of nations later to devise equitable and wide rules to reflect the common interest and rights of all mankind in the utilization of space.



STATEMENTS AND SPEECHES



No. 60/4 PLEDGES OF CONTRIBUTIONS TO UNRWA AND THE
HIGH COMMISSIONER'S PROGRAMMES DURING
WORLD REFUGEE YEAR

A Statement by Mr. W.B. Nesbitt, Vice-Chairman of the Canadian Delegation, in the General Assembly of the United Nations on Thursday, December 10, 1959.

. . . Although circumstances have led to the holding of the pledging conference for the two refugee programmes at a very late date, it is still one of the most important occasions which take place during the course of the General Assembly. The United Nations has set up agencies to deal with the refugee questions which are a legacy of the political turmoil of our time. My Delegation has always laid great emphasis on the necessity of strong and widespread support for these extra-budgetary agencies set up to deal with these great humanitarian problems. We may have our differences on political issues but on one matter most of the members of this organization are agreed - it is one of the fundamental duties of an international organization such as ours to make adequate and effective provision for those members of the human community who for one reason or another have been denied the right of a homeland.

Since the very beginning of United Nations' action for refugees, the Government of Canada has demonstrated effectively its interest in and sympathy for the refugee. We are a large country in the process of development. We have over the years taken in tens of thousands of refugees and welcomed them as participants in the building of our country. We have also over the years contributed -- I think I can say generously -- to the international programmes for the care of refugees waiting their turn to take up once again the duties and the privileges of full membership in a national community.

For the year 1960 the Government of Canada has approved a recommendation that Parliamentary approval be sought for a contribution of \$500,000 Canadian for the United Nations Relief and Works Agency for Palestine refugees. This figure is the same as that for 1959. At the same time, the

Canadian Government approved a contribution of \$290,000 Canadian, subject to Parliamentary approval, to the programmes of the High Commissioner for Refugees. The decision to continue its contribution at the increased level of \$290,000 Canadian to the High Commissioner's programmes signifies the interest of the Canadian Government in maintaining the accelerated camp-clearance programme of the High Commissioner. In addition to these two pledges, the Government has also signified its intention to ask Parliament for a further \$60,000 Canadian for the Intergovernmental Committee for European Migration for the purpose of assisting this organization, which works closely with the High Commissioner for Refugees, in its Far Eastern operation of assistance to refugees of European origin who are allowed to leave mainland China.

The Government of Canada welcomed the United Nations decision to designate June 1959 to June 1960 as World Refugee Year. Early this year the Canadian Government announced a special contribution of \$1.5 million worth of flour to the Palestine refugee agency as a token of its intention to participate in World Refugee Year. During the first days of this Assembly, the Secretary of State for External Affairs of Canada announced that the Canadian Government intended to make a special contribution during this year by waiving normal immigration requirements and admitting to Canada a substantial number of tubercular refugees and their families. For this programme the Canadian Government has already set aside the sum of \$750,000 for the initial year of the programme, and is also aware that there will be substantial expenditures in succeeding years before these families are completely rehabilitated. The Government of Canada intends to bear the costs of this programme together with provincial governments and voluntary organizations which may wish to participate in the programme, until all of the hundred tubercular refugees and their families are integrated into the national life of our country. The first group to be admitted under this special programme will arrive in Toronto on December 16, and a second group is expected to arrive on Christmas Eve.

The resolution designating World Refugee Year stressed that each country should determine its own way of participating in World Refugee Year. When the terms of the resolution were made known in Canada, the voluntary non-governmental organizations traditionally interested in refugees came together and formed the Canadian Committee for World Refugee Year. This organization was set up to co-ordinate the activities of close to forty national voluntary agencies in Canada. The Committee is organizing a national campaign for funds and hopes to make substantial contributions toward such refugee programmes as camp clearance in Europe, technical and vocational training for Arab refugees from Palestine, medical and other assistance to Chinese refugees in Hong Kong and the

relocation of refugees of European origin in China. Many Canadian cities have set themselves important targets for their contribution to World Refugee Year. I might cite some of them: Montreal has set itself a goal of \$400,000, Toronto \$325,000, Winnipeg \$200,000, Vancouver \$200,000. These are just examples. Some Canadian cities have adopted specific refugee camps which they hope to clear by their contribution during World Refugee Year. The Canadian Committee for World Refugee Year is hopeful that voluntary contributions from the Canadian public will be substantial.

Thus, the people and Government of Canada are making special efforts during World Refugee Year over and above those which Canada has traditionally rendered. We in Canada have always regarded the refugee not as an object of pity but as a potential contributor to the development of the wealth and culture of our country. For this reason we have in the past welcomed a large number of refugees who have now become Canadian citizens and full participants in the adventure of our national development.

In conclusion, I should like to reiterate the belief of my country that one of the fundamental tasks of the United Nations is the protection and care of those who have no recourse but to this international organization, which represents the highest aspirations of the world community....

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STATEMENTS AND SPEECHES

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60/5

CANADA'S INTERNATIONAL ROLE - A NEW-YEAR REVIEW

An address by Mr. Howard C. Green, Secretary of State for External Affairs, to the Advertising and Sales Bureau, Vancouver Board of Trade, on January 4, 1960.

Today Canadians enter the first full week of the 1960's--and I have thought it would be appropriate to give you a first-hand report of the part Canada is playing in the great international meetings which are such a feature of the fast-developing world scene; then, to speak briefly of our special relationship to other international groups and to certain individual countries.

As businessmen you will recognize that international affairs are not something remote--to be left to political leaders in London, Washington, Paris, Moscow and Ottawa--but rather that they have a direct and profound effect on every Canadian; in fact, unless there are peaceful stable conditions throughout the world, Canada will be one of the countries to suffer most because of her dependence on export trade.

The great powers, with their large populations and stable internal markets are, in large measure, insulated against the economic consequences of world tension.

That is one reason why Canada not only must play her full part in international affairs but also must seek constantly to give leadership in building the kind of world society in which we can develop our country within the framework of an expanding world economy.

And make no mistake about it, Canada has an important part to play. In fact, for no nation is there a greater challenge in world affairs today or a greater opportunity for leadership than there is for Canada. Now, why do I say that? Let me illustrate my point by getting back to the great international meetings of our present day.

Our participation in the North Atlantic Treaty Organization

I begin with a report on the important meetings of NATO which I attended in Paris less than three weeks ago.

I need not elaborate for you the reasons for setting up this fifteen-nation collective security organization, participation in which forms such an important part of Canada's foreign policy. The main one was that no state, however, powerful, can guarantee its security in the nuclear age by national action alone. Since its inception, over ten years ago, NATO has brought to all its members--large, medium and small--a high degree of security in the face of a serious Soviet military challenge--and that continues to be the function of the alliance.

I think the fact which emerged most clearly at the recent meeting of NATO was that the nature of the Soviet challenge was in the process of change, that we are entering upon a new phase of international relations in which, while the threat of war may well recede, competitive co-existence in the economic and ideological spheres will continue unabated. These new circumstances pose problems for NATO no less demanding than the threat of open aggression which first led to the creation of the Alliance--and they will require certain adjustments in NATO activities.

I came away from Paris convinced that all member nations realize this fact--and convinced also that there is a deep feeling of mutual confidence which will enable the alliance to meet this new challenge. That spirit of inter-dependence is vital and to maintain and strengthen it calls for the fullest consultation at NATO meetings on all matters which significantly affect the Alliance.

It was for this reason that, when I addressed the Permanent Council in Paris last October, I urged that the December Ministerial Meeting, which was to coincide with the meeting of the Heads of Government of the United Kingdom, the United States, France and West Germany, should be so arranged as to allow for consultation with the other NATO members both before and after the Western summit meeting.

As you know, this suggestion was adopted with the result that the three powers who will represent the West at the summit talks with the Soviet Union not only had the benefit of the views of the Alliance as a whole prior to the Western summit meeting in Paris but were able to review their tentative conclusions with the other NATO partners in the meeting which followed on December 22. I can assure you that this was no perfunctory reporting on conclusions already reached. Indeed it produced one of the best spontaneous discussions of East-West problems that NATO has ever known.

Out of it emerged decisions which I am confident will ensure a cohesive approach by the West to summit talks with the Soviet Union. In the first place, the great powers are now pledged not to adopt final positions on items to be discussed at the summit without first submitting their tentative conclusions

for the approval of the North Atlantic Council. Secondly, it was decided to set up a series of working groups within the NATO Council to assist the major powers in preparing their negotiating positions. Thus West Germany will be part of the working group on matters to do with Berlin and the re-unification of Germany; and Canada and Italy will similarly form part of the working group to prepare positions on disarmament. There is no reason why additional working groups cannot be constituted as necessary to deal with other topics at the East-West summit.

This means in a very real sense that NATO as a whole will have a sense of participation at the summit through the association of some of its members with the preparations for specific topics.

Membership in the Ten-power Disarmament Committee

For Canada, participation in a working group on disarmament means an additional responsibility, but it is one which we accept readily. It was a logical development, because last September we were suggested by the foreign ministers of the United Kingdom, the United States, France and the Soviet Union, meeting at Geneva, as one of the members of a ten-power East-West negotiating group on disarmament. This Committee, you will recall, consists on the Western side of Canada, France, Italy, the United Kingdom and the United States, and on the Eastern side of Bulgaria, Czechoslovakia, Poland, Roumania and the Soviet Union. Although not a United Nations agency, its creation was favourably noted by the recent United Nations General Assembly and it is to keep in close touch with the United Nations. On this ten-power group the main responsibility will rest for devising, negotiating and ultimately implementing a practical programme of controlled, phased disarmament. In effect it carries the hope of all nations for world peace.

As you will see the recent NATO decision to make the five Western members of that committee also a working group for preparations on disarmament questions for the East-West simply gave the group a dual function. It is, however, unlikely that anything more than directives or general guidance will come from the East-West summit on disarmament questions. The real work will take place in the ten-power group. The Canadian Government attaches great importance to the work of this Committee and for this reason such a distinguished Canadian public servant as Lieutenant-General E.L.M. Burns, until recently Commander of UNEF, has been appointed to represent Canada on the Committee.

Steps were taken in the course of the recent Paris meetings to get the work of this ten-power committee under way. Taking advantage of their presence in Paris for the NATO meeting, the foreign ministers of the Western five met on December 20 to discuss preparatory arrangements. At that meeting we took two decisions: first, to get Western preparations under

way as quickly as possible by setting January 18 as the date for a preliminary meeting in Washington and January 25 as the date on which the Western team of five countries would begin their actual work; secondly, we delegated to the Government of France the task of approaching the five Eastern members of the Disarmament Committee with a proposal to have the full Committee meet in Geneva on or about March 15. On December 28 the Soviet Ambassador in Ottawa delivered a note agreeing to the Western proposal.

The fact that the East-West discussions on disarmament are to commence at a relatively early date is most gratifying to the Canadian Government, which has consistently urged that delays be avoided lest the momentum which had developed on both sides in favour of disarmament be lost. The new negotiations, we consider, will open in an atmosphere more propitious, and therefore more hopeful, than any similar disarmament negotiations undertaken in the past decade or more.

For example they will take place against the background of important developments in the disarmament field at the recent session of the United Nations General Assembly. There both the United Kingdom and the Soviet Union advanced comprehensive disarmament proposals, the latter's including for the first time an apparent willingness to accept the principle of inspection and control. In addition a resolution was adopted unanimously which expressed the hope that measures leading towards the goal of general and complete disarmament under effective international control would be worked out in detail and agreed upon in the shortest possible time. Finally, they will take place in the improved atmosphere which, for want of a better phrase, is sometimes called the "Camp David spirit."

It is perfectly clear from past experience that mutual confidence is an essential prerequisite to successful disarmament negotiations and I feel that the present mood in international affairs offers a quite unique opportunity to come to grips with this problem.

East-West Summit Meetings

The time at my disposal is too brief to go into other aspects of East-West negotiations, but I might add that Canada welcomes the fact that there is to be not just one East-West summit meeting but a series, to take place in succession in the respective capitals of the participants. We have long favoured a series of summit meetings for a number of reasons; for example because complex questions of international security could patently not be settled in one brief meeting; further, because there is intrinsic value in keeping alive the discussions between the great powers; and also because one all-or-nothing summit conference could easily raise false expectations in the public mind which would almost certainly be disappointed.

Now that Canada has accepted what might be termed an advisory role on one aspect of summit talks--disarmament--the series of meetings now in prospect is bound to impose a heavy responsibility but I am sure all Canadians will approve, realizing that on the outcome of these discussions may hang the fate of the civilized world. These are the sort of stakes for which the diplomatic game is being played today.

So much for Canada's part in the great international meetings--and now a few words about our traditional associations with other international groups and with individual countries.

Our Role in the United Nations

Without attempting to arrange these in order of importance, I go on to our role in the United Nations. This picture covers a wider canvas, for it embraces a valuable association with 81 other member nations. This great world organization since its inception has received strong and consistent support from Canada. Certainly the United Nations is not unlimited in its effectiveness and its authority grows slowly; but I remind you that these very limitations arise from the sovereign equality of the member states and from the tensions which prevail in a world divided into ideological camps.

Although it would be unrealistic to believe that the United Nations could achieve solutions of all current international problems, it is equally true that, if the organization should collapse, the world community would have no alternative but to erect a new similar organization in its place. It symbolizes and gives practical effect to mankind's desire for an ordered world and a betterment of international relations and human welfare generally. Without it there would be suspicion, hostility and probably chaos. Canada values highly the obligation and opportunity which United Nations member states have to consult together at regular intervals and to negotiate within the framework of a common objective--world peace.

Indeed, it is in the United Nations that Canada enjoys one of its greatest opportunities to offer constructive leadership. I have been impressed by the respect we enjoy in that forum as a disinterested middle power. The reasons are not difficult to find; no one fears us because we are without territorial ambitions; no one harbours resentment towards us since we have never held sovereign control of an alien people; no one suspects us of coveting his national resources as we are known to have plenty of our own. We have made many friends by gaining a reputation for independent thought and objective judgment on issues that come before the United Nations.

At the recent session of the General Assembly we tried very hard to give constructive leadership. The Canadian initiative which attracted the most attention was our proposal, eventually co-sponsored by ten other powers and unanimously endorsed by the

Assembly membership, to encourage the world-wide collection and central collation of more accurate information on radiation. We took this initiative in the knowledge that even if nations agree to stop testing nuclear weapons, the problem of radiation will not vanish. It seems imperative that the substantial gaps which exist in our knowledge of this frightening phenomenon should be filled, and that research into the biological effects of radiation should be based upon the fullest and most reliable information possible. I was greatly heartened by the enthusiasm with which the Canadian people greeted this initiative and by the complete support it received in the United Nations.

In other and perhaps less spectacular matters the Canadian Delegation was also active. During the previous year Canada had been a member of the Outer Space Committee, and some useful work in the technical and legal spheres was accomplished. However, the Soviet Union declined to participate because of the make-up of the Committee. If the Committee was to succeed the Soviet Union must take part and accordingly some change in the composition of the Committee was necessary. The Canadian Delegation applied itself to this problem and, eventually a change was agreed upon which satisfied the West, the East, and the uncommitted countries--so there is now hope of worth-while results being achieved and Canada is a member of the new committee.

We also continued our humanitarian contributions to the several United Nations programmes for refugees and took a lead, which we hope other nations will follow, in marking World Refugee Year with a special Canadian project for the admission to Canada of 100 tuberculous refugees and their families. In this endeavour the Federal Government has had the welcome support of most provincial governments, not including British Columbia!

Towards United Nations efforts at peace-keeping and peace-supervision, Canada continues to make a contribution in which, I think, we all can take pride. Our support for the United Nations Emergency Force in the Middle East continues undiminished and I believe it is true to say that we have contributed more manpower to various United Nations observation groups--for example, in Palestine, Kashmir and Lebanon--than any other single nation. In consequence, we have developed in Canada a very large corps of both civil and military observers highly experienced in this specialized type of work. Although we do not believe that a standing United Nations force in being is a practicable possibility today, we do maintain in Canada a battalion earmarked for service with the United Nations should the necessity arise.

Our Membership in the Commonwealth

Canada, of course, continues to play her full part in the Commonwealth of Nations. It is an association for which we have a deep sentimental attachment reinforced by the comradeship and common sacrifices made in two world wars. I, for one, never for a moment discount the value, in international affairs, of the very special fraternal quality that sets Commonwealth relations apart from the relationships with "foreign" countries, however close and friendly the ties with any such country may be.

But, of course, there is far more to this unique fraternity than mere sentiment. The Commonwealth is an entirely new conception, embracing the belief that sovereignty, limited by a voluntary association with other sovereignties for the preservation of common values, is an acceptable and civilized political order. It is, moreover, a dynamic conception, with members being constantly admitted as they emerge from colonial to independent status. In 1957 we welcomed into the Commonwealth the Federation of Malaya. This year will see Nigeria take her place in our family of nations, and in a few weeks Canada will be opening a diplomatic post in the capital, Lagos.

Shortly thereafter our island neighbours in the Caribbean--the West Indies Federation--will be joining the club, and it has been one of Canada's policies to extend substantial aid and assistance to his potential full Commonwealth member.

The fact that these new nations are voluntarily joining the Commonwealth graphically illustrates the kind of multi-racial community which is developing, bound together by common ideals and institutions, and exercising a profound influence for good throughout the world. I believe the Commonwealth offers a lesson for the world in that it points the way towards the only tolerable solution of the basic dilemma of our time--the problem of achieving order with freedom.

There are lessons, too, for others in the way in which there is mutual assistance within the Commonwealth for improving the lot of the less-developed members. The greater part of Canadian assistance has been carried out under the Colombo Plan, to which we have last year raised our contribution to \$50 million. The full title of this Plan is "The Colombo Plan for Co-operative Economic Development in South and Southeast Asia", and the word "co-operative" has been consistently stressed in the 10 years of the Plan's operation. Working together there has been established a very fine relationship among the member countries of the Plan and the Plan lives up to its title.

Canada has found a large number of projects where Canadians and Asians have worked harmoniously together, have learned from each other and together have made an effective contribution to the development of a particular country. Canadian experts sent out to Asia and the Asian student trainees who have come to Canada in a two-way stream of traffic have enriched and broadened our understanding of one another.

Relations with United States

We also derive considerable strength and influence in international affairs from our unique relationship with our large and friendly neighbour to the south, the United States. Both the Americans and ourselves tend to take for granted the deep understanding and friendship which permeates the daily relations of our two countries, but the fact is that there are few neighbouring states in the world between which ordinary day to day life is so intertwined.

Contacts at the citizen level are matched by a network of inter-governmental arrangements. In the realm of defence, we have the Permanent Joint Board, established in 1940, and, of course, NORAD, the jointly operated air defence command responsible for the air defence of the continent as a whole. For boundary questions, we have the International Joint Commission which, I believe, is an example to the world of how trans-boundary resources can be dealt with in a civilized and equitable way. At the ministerial level there are two standing committees, one on trade and economic matters and the other on defence. About six weeks ago, my colleagues the Ministers of Finance, Defence and Defence Production and I attended a meeting of the Canada-United States Defence Committee at Camp David at which we not only discussed frankly problems of bilateral defence concern, but also exchanged views on the broad range of international problems facing the world today. The essence of these contacts is that views are freely expressed by each side and are listened to by the other side with understanding and respect.

Now I am not going to pretend that we never have any differences of opinion with our southern neighbours; we do, and these differences invariably get free play in the press of both countries. It is inevitable that the impact of a large population such as that of the United States on her much less populated neighbour is profound, and we cannot afford to be complacent if we wish to preserve our separate identity as a nation. It is the Government's policy to speak up frankly when Canadian national interests are suffering as a consequence of United States policies. I would stress the word "frankly" but hasten to add that we get as good as we give. This is the way friends face and overcome their differences--and I am sure you would have it no other way.

Canada and Latin America

Finally, as we survey Canada's rôle in world affairs, we should never neglect the close friendship we enjoy with the other nations of the Western Hemisphere--the 20 Latin American nations to our south. Like ourselves, they are determined to be independent and to reach their own decisions in international affairs. Several, like us, are middle powers, and, like us, are exerting growing influence in the councils of the world. I have found co-operation with Latin American countries such as Mexico, Brazil and Argentina--to name only a few--both natural and useful in the United Nations, and I look forward to an intensification of Canadian trade and political relations with all Latin American states. I believe that many of you here today, with your far-reaching business connections, have much to contribute towards this objective.

Now I come back to my text--that no nation faces a greater challenge in world affairs than Canada--and that no nation has a greater opportunity for leadership.

Perhaps Canada could play a decisive role in bringing about world peace.

In any event let us go into this new decade with the optimism and the courage and the strength of character of our forefathers. If we do, I believe that Canada will end the decade as one of the leading nations of the world.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

60/6

EUROPE IN THE WORLD ECONOMY

A statement to the House of Commons on January 18, by Mr. Donald Fleming, Minister of Finance.

I should like at this time to make a report to the House on important meetings which took place last week in Paris on broad economic matters. My colleague the Minister of Trade and Commerce and I represented the Canadian Government.

Before describing the events of last week it might be helpful if I were to outline the events which led up to the meetings. In what I have to say, when I am referring to Europe, I am including the United Kingdom in that designation.

Immediately after the war, the United States made reconstruction loans to Europe; and Canada made, on a proportional basis, even greater loans to Europe. It soon became clear, however, that these loans were not enough to ensure full European recovery. We all recall the wave of hope and encouragement that ran through Europe and around the world when, in June, 1947, General Marshall announced the famous Marshall Plan. Under that Plan, with its massive economic aid from the United States, Europe carried forward its post-war economic recovery. While the Marshall Plan was essentially economic, it was, of course, of great political significance. It fostered closer relations between European countries, especially through a new body known as the Organization for European Economic Co-operation or, more briefly, OEEC. Canada and the United States both became associate members of OEEC in 1950, reflecting the contributions that both made to European recovery and common membership in NATO.

Then came a development of a rather different nature. Six countries of Europe began to lay plans for a very much closer form of association. They are France, Germany, Italy, the Netherlands, Belgium and Luxembourg. In these plans the establishment of strong ties between France and Germany was particularly important. In the succeeding years The Six have agreed amongst themselves to form the European Coal and Steel Community, the European Atomic Energy Agency known as EURATOM, and the European Economic

Community or Common Market. GATT permits the formation of common markets under specified conditions. Accordingly, The Six are, over 12 or 15 years, abolishing trade restrictions of every kind between themselves and developing a common tariff which they would apply to imports from the rest of the world.

While these developments were understandable, it is also understandable that the other European countries, which participated in the earlier post-war European initiatives but which, for political or economic reasons, were unable to join with The Six, should regard the plans of The Six with mixed feelings. If they could not share in all the political activities of The Six, could they not at least share in the economic arrangements? Hence emerged the proposal by the United Kingdom for a Europe-wide industrial free trade area. Unfortunately, however, the two movements, one for a close association of six and the other for a much looser association of 17, reached an impasse at a ministerial meeting of the OEEC in December, 1958.

Faced with this situation, seven European countries including the United Kingdom, Sweden, Norway, Denmark, Switzerland, Austria and Portugal, quickly decided to form a free-trade area among themselves. They did this partly for the benefits it would bring to its members but also in the hope that, in due course, The Six might find the idea of a Europe-wide free-trade area more acceptable, and in the fear that without such an arrangement The Six, from a position of strength, might make separate trade arrangements with each of the seven individually. Thus, by the end of last year, the 18 full members of OEEC were divided into The Six and The Seven, and a remaining five have no special association with each other.

Since the breakdown of negotiations in OEEC in December, 1958, no common ground has been found for substantial discussions between The Six and The Seven, and growing concern was expressed about a possible split between European countries with effects running far beyond the economic field.

Politically as well as economically, Canadians must be apprehensive of any division that emerges amongst our partners in NATO. We depend in no small measure for our common defence on the strength and solidarity of Western Europe. Although, of course, the Paris meetings were not in any sense, and by their composition could not have been, NATO meetings, Canada naturally approached last week's meetings having in mind article 2 of the North Atlantic Treaty, requiring members to "seek to eliminate conflict in their international economic policies".

Our economic concern was twofold. We feared lest the situation developing in Europe should lead to trade barriers against outside goods more restrictive than were necessary or indeed justifiable. We also feared that some new form of discrimination against Canadian goods, some new European preferential system from which we were excluded, might emerge to the detriment of our exporters.

These concerns were voiced very clearly and very forcefully when, in the opening meeting last week, my colleague the Minister of Trade and Commerce spoke in part as follows:

"I need hardly remind those present here of the great importance of international trade to Canada--We have large markets in Europe, accounting for 30 per cent of our total exports, and most European countries have large and expanding markets in Canada--Canada has been anxious lest the policies of the European Economic Community and the European Free Trade Association be restrictive in their effects on world trade--All of us--have an obvious interest in maintaining generally accepted rules which provide reasonable and fair access to markets throughout the world."

Any protectionist or discriminatory development in Europe against imports from Canada would, in our view, be particularly indefensible in the light of the great increase in prosperity and economic strength in Europe during the past two or three years. This strength has brought with it the long sought for convertibility of European currencies and a rapid and welcome process of dismantling trade restrictions. Europe has built up its gold and dollar reserves to a substantial level, much of this inflow coming from the United States. Indeed, the situation is now such that European countries are in a position to review in a new light not only their trade and tariff policies but also their capacity to extend aid to the world's under-developed countries. This marked improvement in the balance of the world's economic strength was an important part of the background of last week's meetings.

Meanwhile the OEEC stood at a cross-roads, and the widest divergence of views existed regarding the roles which it ought and ought not to play in the future.

The growing concern over these matters that was entertained in Ottawa was entertained also in Washington. In November and December of last year the United States Under-secretary of State, Mr. Douglas Dillon, visited Europe to explore the problems. His visit resulted in a more rapid crystallization of ideas and a more rapid series of events than he or anyone else had anticipated. It was not only clear that something should be done, but also that it should be done quickly.

Mr. Dillon was in Paris just before the NATO Council meetings began in mid-December, and a week before the Western "summit" meeting. Ministers on the Canadian Delegation to NATO were able to discuss the rapidly evolving situation with ministers of the United States, the United Kingdom and other countries...

The four Heads of State and Government on December 20 decided that an invitation should be issued to 13 countries, including Canada, and also to the European Economic Commission, to attend the meeting that began in Paris last Tuesday.

In the week before that meeting the Minister of Trade and Commerce and I went to Washington to hold preliminary informal discussions with Mr. Dillon and also with Mr. Anderson, the Secretary of the Treasury. These talks were most constructive. In the course thereof the United States Secretaries assured us that they shared our concerns regarding access to European markets, not only for manufactured goods but also for materials and food-stuffs in which Canada is particularly interested.

Immediately the Canadian Delegation arrived in Paris we had useful talks with the French authorities and valuable discussions with the Chancellor of the Exchequer and the President of the Board of Trade.

Thirteen, as we ourselves had feared, turned out to be an unlucky number. The thirteen were made up of two from North America, five from The Six, five from The Seven, and one so-called "European neutral". This left seven European countries off the invitation list, and very naturally most of them were dissatisfied and critical. The reason against a meeting of twenty was the feeling on the part of some European countries, who were dissatisfied with the recent role of the OEEC, that such a meeting would be considered as a meeting of the OEEC itself.

Nor were these seven the only countries in the world that were perturbed by the course of events. As the date for Paris drew near the Canadian Government received inquiries and representations from a number of other governments, some in the Commonwealth and others outside. All of them were worried by the possibility that important movements were on foot, and important decisions were to be taken, in which their interests were involved but in relation to which they had no direct voice. These governments may rest assured that in the recent meetings the Canadian Delegation did all that it could, and not without some success, to ensure that their interests were not neglected.

These representations served to remind us vividly of the dangers and damage that could attend restrictive regionalism, whether in Europe or elsewhere. Political and commercial interests go hand in hand. The most constructive, least divisive, solutions for commercial problems are to be sought not by one region of the world seeking insulation from the rest, but in arrangements that can encompass all free nations on a basis of harmony and equality.

It may simplify matters at this point if I explain that in Paris last week there were in fact three successive, and in a sense quite separate, meetings, and that three themes ran through all three of them. The first meeting was of the thirteen; the second was of the twenty, as independent equals; the third meeting was of the OEEC Council, where all twenty were present but where Canada and the United States were only associate members, without voting rights and without obligations. This was the first occasion on which Canadian ministers had attended an OEEC meeting. In the past Canada's representation has been by officials rather than ministers.

The three themes of the meetings were trade, aid, and organization; that is to say, the reorganization of OEEC. Each issued in a resolution, which was first adopted by the thirteen, and then adopted without alteration in the twenty....

It is convenient to begin by reporting what developed in the field of organization. It quickly became clear that there was widespread support amongst European countries for a revision or reconstitution of OEEC that would fit it for the tasks of the 1960's, rather than the Marshall Plan and the 1950's, and would at the same time make it suitable for adherence by Canada and the United States as full members.

This task of reconstitution is to be undertaken in two stages. First, four experts in their personal capacities are to compile a report with recommendations. After that there will be such meetings and discussions among the twenty governments as the matter may require. The first meeting will take place on April 19. The whole process of approval, including ratification by the United States Congress, would inevitably last well into next year. One of the experts will come from The Six, one from The Seven, one from the United States, and one from the remaining countries.

During the meetings the United States representative declared the willingness of his Government to join the reconstituted organization, subject to agreement on a satisfactory constitution and subject to Congressional approval. As for the Canadian Government, our wish would be that Canada would also find it possible to become a member. Europe has now fully emerged from the period of post-war economic difficulties and is an increasingly important force in world affairs. In these circumstances Canada, with vital European and world interests engaged, should be prepared for full participation.

The second theme in Paris was aid, and on this I can speak briefly. European countries are showing not only an increased capacity but an increased disposition to provide aid, not only through multilateral organizations such as the United Nations and the International Bank for Reconstruction and Development, but also bilaterally, just as we have done for nearly ten years under the Colombo Plan and in other ways. It has been agreed that, pending reconstitution of the OEEC, eight countries should pool their experience and know-how with regard to aid programmes. No financial commitments are involved, and no change in Canada's aid programme, as included in the estimates for the coming fiscal year, is to be anticipated. The members of this group, in addition to ourselves, are Belgium, France, Germany, Italy, Portugal, the United Kingdom and the United States, together with the Commission of the European Economic Community. The committee has power to add to its numbers. The group will consult the International Bank, and thus avoid overlapping of activities with that or other international institutions.

The third theme was trade, and for Canada, of course, this was the most important. There was general agreement that, at least pending reconstitution of the OEEC, some forum should be set up in which it would prove possible to discuss the problems of The Six and The Seven in their European and world-wide contexts. In the face of strong differences as to the precise terms of reference of the new trade committee and the number of countries to serve on it, the Canadian Delegation put forward proposals which formed the basis of the resolution eventually adopted as the unanimous decision of the conference. A committee of 20, of which Canada is, of course, a member, with power to establish subcommittees was agreed on. The terms of reference, while according priority to the relationship between The Six and The Seven, are not confined solely to European aspects of trade relations. It was also decided that the committee should include the Executive Secretary of GATT. He will, I am sure, play a constructive role and his presence on the committee should, at least in a measure, allay the apprehensions of the many countries outside Europe who have been worried that the Europeans, preoccupied by their own difficulties, might disregard the interests and the rights of outsiders.

In regard to all three resolutions, but particularly in regard to that on trade, the Canadian Delegation was successful in its attempt to promote acceptable solutions for general problems while protecting Canadian interests.

In the short time available, last week's meetings did not attempt to grapple with substantive issues of trade. What was required was agreed machinery which could come to grips with these issues. This will now be done in the trade committee and its subcommittees. It is now for countries involved to put this machinery to the best possible use in solving their problems without sacrificing the interests of others. It is the sincere hope of the Government of Canada that all the countries concerned will effectively employ this opportunity.

In this regard we must recognize that the outcome of current economic issues in Europe will have significant effects throughout the world. Trade policies are not made in isolation, but through interaction. The commercial policies to be followed in Europe cannot fail to influence United States policies, and both are of critical importance to Canada.

The meetings of the past week may well prove to be memorable. At these meetings the United States displayed, once again, leadership of a very constructive nature; and this leadership involved the relationships between the United States, Europe, and the rest of the world. Since the war the United States, abandoning its historic isolationism, has been willing to recognize its own interest in the reconstruction of a devastated continent and in the defence of that continent against the danger of expansion and aggression from the east.

Last week, European countries and the United States, together with Canada, came together as equals around a table to discuss common economic problems. Let it be remembered that there was not only the problem of the threatened trade split in Europe but there were also the problems of balances of payments and of enlarging the aid given by the more industrialized countries of the free world to the less-developed. The countries participating were ready to concern themselves not merely with the responsibilities of the Atlantic Community within itself but with its responsibilities in the world at large. No development could more closely serve the interests of this country.

Canada has been historically a North Atlantic country. Its history has been bound up with the United Kingdom, Western Europe and the United States. We can expect to achieve our full stature only if Europe and the United States are in harmony. But Canada is also a member of the Commonwealth and the free world, with trading interests in every quarter of the globe. Just as we have urged that the European Common Market and the European Free Trade Association should be outward looking, so we should hold to the view that all North Atlantic countries should be outward looking....

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)



60/7

CANADA AND COLLECTIVE DEFENCE

A statement by Prime Minister Diefenbaker
to the House of Commons on January 18.

All of us know . . . that the problem of defence remains with us the major cause of the tremendous expenditures that we in the free world are obliged to make A rigid or final course would have no regard to the changes that are taking place internationally. Indeed, in the last three days a speech has been made by Mr. Khrushchev to which I also intend to allude and which in every way bears out the views expressed by the Minister of National Defence over and over again in the House at the time of the cancellation of the contract for the CF-105, that the day of manned bombers was about to be over and that in the 1960's we would be in the missile age.

The day before yesterday Mr. Khrushchev outlined in detail almost exactly the viewpoint expressed by the Minister of National Defence, his information having been secured from those in responsible positions among the Chiefs of Staff and also from the various portions of the free world which gather information in this regard. Indeed, when he took that stand there were many people across Canada who could not believe that the U.S.S.R. was about to bring about an end to the manned bomber.

I mention that matter because in defence the uncertainty to which all of the free world is subject arises from the fact that it can never be finally determined whether or not the U.S.S.R. means to go to war or whether, if it does so, the war will be a nuclear one. This debate on the question of what should be done in respect of defence is taking place not only in Canada, the United States, France, the United Kingdom and the free countries in Europe but everywhere in the world. The United States has been following a course which is based on the fact that if war comes it will be a cataclysmic nuclear war, the result being that ground forces and conventional weapons will take second place.

Defence policy cannot be certain. If it could be certain, and if we could determine today the course for the next three or four years, great savings might be made. . . . If we could anticipate what the U.S.S.R. would do, naturally we would be able to look into the future as to the course that should be followed with the same clarity that all of us can look into the past.

The attitude of the Canadian Government and its stand on defence was clearly set forth in detail in the Defence White Paper in April 1959. That Canadian defence policy derives directly from our foreign policy and is designed to ensure national security and the preservation of world peace. These objectives are reached through collective arrangements within NATO and the United Nations. It is the defence policy of Canada to provide forces for defence against an attack on the North American continent; the collective defence and deterrent forces of NATO in Europe and the North Atlantic; and to support the United Nations in attaining its peaceful aims.

Then there is set out in detail the course to be followed. It is stated that the knowledge that an act of aggression would in all likelihood occur with little or no warning requires that Canadian defence forces be at the maximum state of readiness. The course to be followed is there set out in detail and it deals with the attitude of the Canadian Government based on the best information that we could secure. In this White Paper, it is stated that it is now considered that the threat of the manned bomber is not as great as was originally anticipated and that, furthermore, by 1962, when the CF-105 would have come into operational use in the R.C.A.F., the main threat is expected to consist of long-range missiles rather than manned bombers.

Those were the words in the White Paper of April 1959. Those are words that have been borne out in the declaration made two days ago by Mr. Khrushchev. As I said a moment ago, our defence policy is for the purpose of contributing to the maintenance of peace. We know that there will be no victor in the next war. Gone are the days when a nation could consider war as a means of enforcing a certain policy and of furthering its political aims. The whole purpose of armed forces today and of defence expenditure is to create a state of preparedness which would enable a country under the imminent threat of all-out nuclear attack to retaliate with a knock-out blow of equal force or at least of sufficient force to meet the aggressor.

In other words, our policy has been one of collective defence. Aware as we are of the changing concept of defence in this age of thermonuclear weapons, of rockets and space ships, we have endeavoured to bring about in Canada the attainment of the largest degree of defence that can be attained in the fields in which we anticipate defence will be important two, three or

four years from now, to the end that expenditures shall be maintained at a minimum for those materials that cannot reasonably be expected to be other than obsolete in the days ahead.

I am going to refer to Mr. Khrushchev's speech in more detail when I come to refer to international affairs. The fact remains that he has declared that the U.S.S.R. has a bountiful supply of rockets and missiles, that it is going out of the manned bomber and that it possesses a new secret weapon which makes it the most powerful nation in the world.

Our principle is to secure the largest return possible in defence, the decision being a matter to determine according to the nature of the weapons, on the basis of the best information procurable. . . .

S/C

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

60/8

THE QUESTION OF HUNGARY

Statement by Mr. W.B. Nesbitt, Vice-Chairman of the Canadian Delegation, in the General Assembly of the United Nations on December 8, 1959.

...The Canadian Delegation comes to this discussion of the report of the United Nations Special Representative on the question of Hungary with a deep feeling for its immediate as well as long-run significance. We also come to this debate today with a sense of sadness that the Hungarian question should still be before us and should now be aggravated by new allegations of violations of human rights and a general disregard for the good opinion of many states.

The report of the Special Representative charges that a regime of great rigour and repression continues to operate in controlling the lives of the Hungarian people. If, in October - November 1956, this was a matter of proper human and constitutional concern for the United Nations, there is no reason to doubt the continuing right of the United Nations to be concerned in December 1959, when the allegations of repression remain as strong as they do in the report of the Special Representative.

The Canadian Delegation is aware of how often the Government of Hungary has denied the charges of repression and, too, how insistent has been its view, as well as the view of some small number of member states allied with it, that whatever has taken place or is taking place in Hungary is a matter essentially of domestic jurisdiction and, therefore, beyond the proper scope of the Assembly's legal interest.

Each member state is, of course, entitled to treat its internal security problems as matters essentially within its domestic jurisdiction. With this thesis the Canadian Government could have no quarrel. But when that criminal law and administration go so far as to offend the very spirit of the purposes and principles of the Charter, the issue may, in some of its aspects, become one of essential United Nations concern.

The Canadian Delegation cannot therefore accept either the denial of facts as such or the denial of a United Nations interest in this area. Our position rests on a simple proposition: bearing in mind the provisions of the Paris Peace Treaty of 1947 and its guarantees of independence and human rights for the people of Hungary, and having in mind, too, the violent events in Hungary in October-November of 1956, the great majority of member states believed not only that there had been an unlawful "intervention" in the affairs of Hungary by another state causing great disruption there, but also that there had been important violations of human rights to which the United Nations could not be indifferent. Moreover, these violations continued long after the military intervention aspects had disappeared. These are facts of wide public knowledge and acceptance.

Indeed, it is possible to say that once the period of military intervention had passed, the behaviour of the Hungarian Government towards its own people involved so substantial an interference with the conception of decent levels of behaviour by states toward their peoples that the United Nations could not have remained indifferent. Moreover, if the Hungarian Government had wished to bring these allegations to an end, it could, at least, have provided some measure of co-operation with the United Nations in the various resolutions passed since 1956 inviting such co-operation, particularly by admitting United Nations representatives to make on-the-spot enquiries in order to be able to report back to the Assembly on the basis of a firm foundation of observed fact.

We all know the story. The present Government of Hungary, claiming the right of a sovereign state to be free from interference in its domestic affairs, has refused to permit any semblance of United Nations or other type of enquiry into the record of the regime since those events in the autumn of 1956. I presume that matters might have drifted in this way even with the appointment of the present United Nations Special Representative, whose report is now before us, had it not been for two recent developments. The first of these arises from the very considerable efforts that have been made by Prime Minister Macmillan, President Eisenhower and other Western leaders, and by Premier Khrushchov to provide the foundations for a relaxation of tensions and for the possibility of conferences among the leading powers in order to deal with some of the more difficult problems now dividing them. A new spirit, whether described as of "Camp David" or simply as a fresh effort at a détente, now pervades many aspects of major dealings between the two sides in world politics today. Since it is well understood that the Government of Hungary has the closest of ties with the Government of the Soviet Union, it is a matter of great surprise to the Canadian Delegation that the friends of Hungary should not advise her on the political and moral inconsistency of the continuing unco-operative Hungarian attitude towards the ascertainment of facts

about conditions there and towards the present search for a sound basis by both "camps" to approach, in a new spirit, their grave divisions.

But, if this were not enough to bring forcibly to our attention the substance of the Special Representatives's report, there is in the opinion of the Canadian Delegation reason to believe, or at least to suspect, that new and shocking events may have taken place in recent months in Hungary. I refer here to paragraphs 30 to 34 of the Special Representative's report dealing with the recent allegations that have appeared in the press of many parts of the world that many young persons had been held for trial since 1956 who at that time were below the age provided by Hungarian criminal law for the applications of severe penalties for certain political and kindred offences. I wish to say that my Government does not necessarily believe all the rumours that have been circulating for the past several weeks in Canada and the United States and that have been widely reported upon in the press of many countries. But I cannot deny that these reports have disturbed us greatly and that the people of Canada are deeply distressed at the possibility that they may be true.

I am aware that the nature of the evidence supporting these allegations of cruel judicial procedures toward young people may not be such as to satisfy objective observers desiring the most severe test for such evidence. Nevertheless, apart from newspaper reports, there is the already well-known Bulletin No. 9 of the International Commission of Jurists, which reports in some detail on trials held in camera on confessions obtained from young accused persons and on a number of executions. This bulletin, which is to be found as an appendix to a recent issue of the Journal of the International Commission of Jurists, cannot be dismissed easily. Too many responsible jurists, including many Canadians, are members of this organization for the seriousness of its efforts or the objectivity of its conclusions to be doubted.

Surely what is needed here are not denials but some gesture that would help dissipate this cloud of angry suspicion that now has begun again to cover the relations of Hungary and many member states. My Delegation desires only to see that the minds of decent people everywhere can somehow or other be satisfied that charges of this nature that have been made and referred to in the Special Representative's report are baseless and that the Government of Hungary, in the proper exercise of its own political powers, is behaving no differently than might be expected of any other state faced with normal questions of the maintenance of public order.

In my Government's opinion, the only way that the Government of Hungary could possibly satisfy sympathetic observers who do not wish to remain forever suspicious of the Government of Hungary is to permit some type of enquiry, whether by the United Nations or by any other acceptable agency.

Our insistence on due acceptance by the Government of Hungary of those resolutions of the Assembly that have regularly since 1956 invited the co-operation of Hungary in such enquiries does not preclude the possibility of other devices being employed if they could elicit impartial information that would satisfy those of us who are not deeply distressed by these charges. Surely the Government of Hungary is concerned with its own good name in the world and in the United Nations. Surely it would want to set at rest the rising volume of distressed concern that now permeates the attitude of many member states toward it, with particular reference to these new charges concerning the trials and possible executions of young people. Would it not be possible for the Government of Hungary to invite the International Red Cross or some similar non-governmental religious or charitable organization to make appropriate enquiries and report back to the press of the world in such a way as to put to rest once and for all the suspicions and allegations arising from the charges so frequently made in recent weeks? The Canadian Government appeals sincerely to the Government of Hungary: Do you wish to make a contribution to the emerging relaxation of tensions and to the progress toward the Summit, that is the hope of all international politics at the moment, or do you wish to embitter relations and make that emerging rapprochement, however limited or extensive its character may be, difficult and perhaps impossible? Finally, I would ask what the Government of Hungary has to lose by such an enquiry, either by the Special Representative or any other agency designated by the Assembly or by some private organization. There surely can be no question of a challenge to its sovereignty or its independence. Its membership in this organization is testament to its status, and enquiries of the kind we suggest would not detract one whit from that status. But the continued refusal to permit enquiries will detract profoundly from that other status it no doubt wishes to maintain, that is, the status of a member of the family of nations whose good name in its treatment of its own people in the protection of their human rights is now under a very dark cloud.

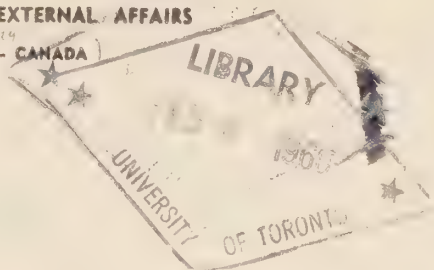
My Delegation, as a co-sponsor of the resolution on Hungary, will therefore support any reasonable measures to encourage the Government of Hungary to co-operate in these efforts to avoid interference with the spirit of this new phase of international relations affecting all states today. We sincerely hope that the alleged events, harmful to the good name of the Government of Hungary in its treatment of young offenders,

are not taking place as reported throughout the world. But we cannot be content with a silence that may imply damaging admissions. It is for the Government of Hungary to move all of us from suspicion to satisfaction, from a sense of distress to a knowledge that puts conscience to rest.

S/C

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA



No. 60/9

AID TO INDIA

A Statement by the Secretary of State for External Affairs, Mr. Howard C. Green, to the House of Commons on January 19, 1960.

I have a short statement to make concerning Canadian Colombo Plan aid to India.

The House will wish to know that, under the 1959-60 Colombo Plan Programme, Canada has agreed to make available to India \$25 million, which will be used to provide Canadian commodities and equipment requested by the Indian Government to help carry forward its second Five-Year Development Plan.

This \$25 million will be used for the following purposes: \$11.5 million for the provision of industrial metals including aluminum, copper and nickel which are required to maintain an adequate level of industrial activity and employment for the balance of the current five-year plan; \$7 million for the provision of wheat to meet urgent food shortages; \$2.55 million for fertilizers which will be used to help meet one of India's most urgent problems, increased production of food; \$2 million which will be used to purchase diesel locomotives; \$130,000 for three Cobalt Beam-Therapy units; \$700,000 for further work on the \$8.7 million Canada-India reactor which is being built near Bombay; \$250,000 for radio-teletype equipment to assist India in expansion of its meteorological facilities; \$120,000 for raw asbestos required for the construction of factories and industrial housing; \$750,000 which will be used to carry out feasibility studies on four hydro-electric projects which India has requested Canada to consider for financing under the Colombo Plan.

In addition to the foregoing capital aid allocations, Canada is continuing its programme of technical co-operation in India as part of its over-all Colombo Plan programme for South and Southeast Asia.

With reference to the 1958-59 programme for India, it has now been agreed that \$380,000 which had not been allocated to specific projects in that programme will be used to provide \$250,000 worth of copper and \$130,000 worth of equipment for a scheme to improve the milk distribution system in Calcutta.



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LIVING WITHIN OUR MEANS

An address by Mr. J.E. Coyne, Governor of the Bank of Canada, to the Canadian Club of Winnipeg, January 18, 1960

There are three recognized major economic goals of modern states--economic growth, a high level of employment, and a stable value for the currency. A sound currency and price stability are not only of major importance in themselves but are essential to the maintenance over a long period of fruitful economic growth and a consistently high level of employment.

The objective of central banking is therefore to safeguard the value of the national currency and to contribute to the maintenance of overall economic growth on a sound and sustainable basis, in order that the end results of the business activities of all members of society may be a rising standard of living, an increasing measure of enjoyable leisure, and as wide as possible a choice of useful and constructive employment opportunities.

It is important to emphasize that the goal of economic policy is not just any kind of growth and definitely not a hot-house type of growth, but sound and sustainable economic growth, a continuous and sustained improvement in production. As the Minister of Finance said last week, with particular reference to Canadian economic development during the decade of the fifties: "Too often we have been tempted to pursue too rapid a rate of growth with too little regard for the inevitable consequences and inequities. ... We cannot assume the assurance of a higher national income year after year unless we take steps to ensure that the expansion is orderly and balanced."

Unrealistic Growth

The pursuit of an unrealistic rate of growth regardless of cost will also most certainly lead to inflation of prices, of costs of production, hardship and misery for all those whose incomes cannot be adjusted to the higher cost of living, and serious displacements in those industries which find themselves in consequence of these factors unable to continue to export under competitive world market conditions,

or unable to continue to produce for the domestic market at prices competitive with the products of other countries which have pursued a more balanced and prudent course.

An unhealthy, unsustainable expansion based to an excessive degree on borrowed money, whether domestic or foreign, will--as recent experience has shown--make the ensuing recession all the more severe, and attempts to mitigate it more difficult.

To distort all economic relationships in order to pursue the single objective of an extraordinary and unsustainable rate of growth for a short time may be necessary in war-time. In peace-time it is an aberration which has led and must lead to inefficiency, misdirection of effort, and waste of resources in projects which prove to contribute little or nothing to efficient productive growth. Moreover, attempts at excessive or misdirected growth are always followed by a period of contraction or much reduced growth, with consequent unemployment among those whose livelihood has become dependent upon construction and the production of capital goods, as well as for many others who have been drawn into employment in activities which could not continue on the scale previously achieved.

In our country, pursuit of an excessive and unsustainable rate of capital expenditure since the war has not only contributed to the unstable cycle of short-lived boom followed by recession but has also been responsible for a growing deficit in our international balance of payments, a large excess of imports of goods and services over our exports, increasing reliance on foreign resources to finance (directly or indirectly) both capital projects and consumption, and a great increase in our foreign debt and in the annual burden of debt charges. It has also produced a higher level of interest rates than might otherwise have appeared, and recurrent periods of tight money and difficulties in the field of bank loans and bond markets.

Price Stability

A further lesson of many countries since the war, as well as the lesson of our own experience, is that substantial and steady employment and growth cannot be achieved and continued without price stability and public confidence that price stability will be maintained.

The prevention of inflation is essential for the maintenance of steady growth at the maximum rate that can be sustained without the excesses that lead down the path to dissipation of foreign currency reserves, and the incurring of such a degree of foreign debt as to produce in the end a foreign-exchange and foreign-trade crisis which would seriously harm a country's economic structure for years following.

As a nation we cannot choose between price stability and growth, we must aim at both. Inflation, and the attempt to expand at an excessive rate which produces inflation, are not an effective means of overcoming unemployment, because inflation in the end will create more unemployment than it cures.

Sound Financial Policy

There are not one but several major requirements for the prevention of inflation, the maintenance of sound and steady growth and the prevention or mitigation of fluctuations in the level of unemployment. One requirement, certainly, is the maintenance of a sound monetary policy, which means restraint in the process of expanding the stock of money. Another is moderation in spending and borrowing by governments and public bodies. A third is the development and maintenance of appropriate fiscal policies and public policies of various other kinds designed to promote sound expansion in private business but to discourage excessive spending throughout the economy.

In any country the central bank has the power to encourage an increase in the money supply. By buying government securities in the market it places additional cash in the hands of the sellers, and their deposits increase the cash reserves and therefore the lending capacity of the chartered banks.

Clearly the central bank must see to it that there is enough money in circulation to facilitate the daily exchange of goods and services, the daily volume of payments that must be made, whether by notes or by cheques transferring claims to bank deposits. In the process, the central bank must also see to it that the commercial banks have sufficient lending power to be able to facilitate the essential short-term credit needs of businesses and individuals in order to enable economic activity to continue on the highest level that can be consistently maintained without promoting inflation. But beyond this necessary creation and expansion of money and credit, it must be the duty of the central bank to exercise restraint in its own activities, restraint on its own expansionary potential.

The greater the amount of direct monetary expansion by the central bank, the greater will be the capacity of the commercial banks to increase their loans and investments and thereby put additional spending power into the hands of would-be spenders. But increasing the quantity of money and credit does not of itself increase the supply of goods and services. There is no monetary manipulation or magic trick that can achieve this. Beyond some point, further increases in the total supply of money and credit simply provide fuel for inflation and actually retard and hamper the growth of efficient production.

In Canada the total supply of money rose rapidly -- too rapidly -- in the year 1955 and the first half of 1956, and thereafter showed little change until the economic boom passed its peak and started downwards in the late summer of 1957. In the latter part of 1957 and the first three quarters of 1958, for reasons which I have discussed at length elsewhere, the supply of money again increased very rapidly and to a substantial degree. In the process the chartered banks were put in a position to expand their loans or investments as might be required to meet economic needs for a long time ahead. In the early months of this period, when the demand for commercial credit was not large and when the Federal Government was running a large cash deficit, the chartered banks put the increase in their lending capacity entirely into the purchase of Government of Canada securities. From early October 1958 until August 1959 the chartered banks sold off the greater part of the government securities so purchased and expanded greatly their volume of commercial loans, personal loans, mortgage investments and other investments.

Since August 1959, the volume of commercial loans has declined. The banks are in a position now to facilitate a moderate degree of expansion in the total volume of their commercial loans on a prudent, selective basis, particularly for those enterprises which are unable to obtain necessary financing from other sources. Some other categories of loans and investments acquired in 1958 and early 1959 may well decline in 1960 through repayments and maturities and help make room for such further expansion in commercial loans as may appear to be sound and necessary.

Other Measures

The maintenance of monetary stability is by no means sufficient in itself to assure sound growth or prevent inflation. The prevention of inflation and the inevitable succeeding recession--the effective mitigation of fluctuations in the level of employment, production and prices--requires action in many other fields besides monetary policy. For example, all levels of government can assist by holding down their spending programmes, including lending programmes, during the buoyant phase of private business expenditures. Taxation policy can also make an important contribution. The anti-cyclical modulation of government spending and taxing can have the double effect both of moderating the fluctuations in private business itself--for some expansion programmes of private business are directly stimulated by government programmes--and of offsetting to some degree those fluctuations in the private sector which are not directly so influenced.

There are other important requirements besides appropriate fiscal and monetary policies if an economy is to be able to sustain a high rate of economic growth with minimum fluctuations in prices and total employment. A

tendency towards preoccupation with fiscal and monetary policy has perhaps resulted in not enough attention being given to the whole range of other factors affecting the basic efficiency, stability and adaptability of the economy, especially the degree of mobility of resources and the degree of competition, the conditions under which business operates, and the outlook and attitudes of business and the general public. No use of fiscal and monetary policy, no matter how inspired, can call forth good performance from an economy if the factors of production and distribution are not basically flexible and competitive. Here, too, public policies may have an important influence, either helpful or the reverse.

These requirements for policy apply to any country, to Canada no less than to the United States, the United Kingdom and other nations with free economies. In varying degrees all countries endeavour to follow expansion policies, high employment policies and anti-inflation policies, and obviously these must be harmonized if they are to be successful.

Special Canadian Problem

In Canada we have not only the usual cyclical problems, which are not entirely within our own control because of our high degree of dependence on conditions in foreign markets, but a further problem or cause of instability, namely, that the total demand on the part of all elements in the community for goods and services for all purposes, both for consumption and for the creation of new production facilities and government works and housing combined, has for some years been considerably greater than the amount which our own productive capacity can satisfy. This is a condition which most other industrialized countries in the North Atlantic community had to face in the post-war period but have by now largely overcome. In Canada it assumed major proportions five or six years ago and has grown since then. To a considerable extent these inflationary pressures have been temporarily suppressed or diverted through the medium of foreign borrowing by Canadian governments and enterprises and the securing of capital from other forms of foreign investment in Canada, which have made possible the importation from other countries of a volume of goods and services greatly in excess of our exports of goods and services, to such degree as to fill most of the excessive demand in Canada for such goods and services.

Put more bluntly, we have for at least five years been living beyond our means on a grand scale. Perhaps we have comforted ourselves with the thought that we were by this means increasing from year to year the total productive capacity of the Canadian economy by a sufficient extra margin to enable us before long to balance our foreign accounts, live within our annually expanding means, and even at some time begin to pay off our foreign debt. But this has not happened. Exports are rising but imports are rising faster. We are not producing ourselves out of our import deficit but are getting in deeper.

Some degree of reliance on foreign resources for some period of time may be justified at particular periods of a nation's economic development. This is particularly true of the really undeveloped countries which live close to the poverty level and find it virtually impossible to accumulate domestic savings and devote them to the expansion of productive facilities. It was perhaps also appropriate at times during the earlier stages of industrial development of a new country, as, for example, in the United States in the 19th century, and in Canada into the early 20th century. It is scarcely true of Canada today, a country which is in many ways a highly developed economic entity, enjoying a standard of living generally thought to be second only to that of the United States.

Rate of Saving

The Canadian people and Canadian business enterprises are capable of a high rate of saving and do accumulate each year large new savings, which are available for investment in new productive facilities. The statistics indicate that in most years our rate of personal saving is somewhat less than in the United States, but our rate of total savings, by corporations, individuals and governments combined, including the setting aside out of earnings of funds for depreciation, is considerably higher than in the United States.

Anything that can be done to encourage a reasonable increase in personal, governmental or other saving in Canada would obviously be a step in the right direction.

Probably the greater factor in our problem, however, has been an excessive degree of spending on capital facilities of all kinds (including housing) much greater in total than we were able to produce or at any rate willing to provide out of our own savings. The longer we cause or permit this excessive spending to operate, and to produce a correspondingly heavy surplus of imports over exports and a high annual rate of increase in our foreign debt, the more vulnerable and precarious does our position become.

Capital Outlay

The rate of new capital spending (both public and private) on physical works, plant and equipment in Canada in recent years has, according to the statistics, been considerably greater than in the United States--about 26 per cent of gross national product as against 18 per cent--but there does not appear to have been a correspondingly greater increase in the output of new goods and services by Canadians. We have absorbed, consumed or put to use a much greater volume of capital, without getting a commensurately greater rate of increase in production.

One reason may be that a larger proportion of our capital spending has gone into the development of facilities for our greater comfort and enjoyment, rather than into an increase in productive facilities.

It is evident also that through pursuing an excessive rate of growth a quantity of business investment in new enterprises or for expansion has been undertaken in too much of a hurry, at high cost, in directions which perhaps should not have been exploited at all, or not until the following year or later years, with the result that a certain amount of capacity remains under-employed because it is in excess of market requirements, or was established before adequate markets could be developed, or is unable to operate at prices competitive with producers in other countries.

Clearly, not all capital spending contributes to sound growth, or to any growth. If we can afford out of our own resources capital spending that does not assist growth--that, at best, provides some desirable but not economically essential facility or service--well and good. But a rate of capital spending that requires large increases in foreign debt and that creates inflationary pressures and mis-allocation of economic resources, is clearly undesirable and harmful.

The Minister of Finance has urged that "we must all avoid doing those things which are likely to encourage a forced and excessive growth in spending". Similar sentiments have been expressed by chancellors of exchequers and secretaries of treasuries in many other countries, because it is in the national interest of any country to avoid such excesses.

In Canada, the Minister said of the Federal Government: "Our aim ... will be to avoid expenditures that are not strictly necessary now and to bring Government revenues and expenditures into better balance". The Minister said that the provinces, municipalities and business would be assisted in meeting their borrowing problems by restricting federal borrowing. The borrowing problems of provinces and municipalities would of course be much easier if these bodies reduced the magnitude of their borrowing as a result of restricting their own spending. There are also considerable differences among provinces and municipalities in their level of taxation and other revenues. Those that borrow the most may not be the best managed, the most frugal, or the most prudent.

At any rate, the fact is we have not increased our production commensurately with the increase in our spending. We have not overcome the factors making for a large continuing annual increase in our foreign debt. Our exports have increased, but our imports have increased more.

Balance-of-Payments Deficit

In addition to a large deficit in our merchandise trade, we also have a growing net deficit on non-merchandise items, such as freight and shipping, tourist expenditures and interest and dividends on our foreign borrowings and on foreign investments in our country. The excess of our total payments for these so-called invisible items, over our receipts of the same nature, continues to grow and is approaching the level of one billion dollars per annum. Our merchandise trade, so far from being adequate to enable us to pay these costs, is itself also on the deficit side to the extent of about half a billion dollars a year.

The development of a balance-of-payments deficit of this magnitude might be tolerable if it occurred under emergency and temporary conditions which it was clear could and would be rectified by policies being adopted for that purpose. A glance back over the Canadian balance of payments since the war shows that our situation is not temporary but is becoming chronic.

The last year in which we had a favourable balance of payments on current account was in 1952. Deficits of \$400 million a year in 1953 and 1954 were followed by an increase to \$700 million in 1955. The deficit almost doubled again in 1956, increased a bit more in 1957, declined moderately in 1958, increased again in 1959 perhaps to the 1956 level, and seems likely to increase in 1960 to a new record high figure of \$1,500 million or more.

We have had for years, of course, a large deficit in our trade and payments with the United States. For a time it seemed possible that this would be largely balanced by a surplus in our trade and payments with the rest of the world. That surplus averaged over half a billion dollars a year in the early fifties but has declined every year without exception since 1952, virtually disappeared in 1958, has been converted into a deficit in 1959 and probably will be a bigger deficit in 1960.

Imports of Investment Goods

In the field of merchandise trade an important item in our trade deficit has been the volume of investment-type goods imported, that is, machinery and equipment for use in construction or for the expansion of physical facilities in Canada. The peak in the importation of investment-type goods or capital goods appears to have been reached in 1956; imports of this type declined slightly in 1957, and substantially in 1958, showed a moderate increase in 1959 over 1958, and in 1960 are likely to approach if not reach the 1956 volume. Even without exceeding the level of four years ago, it is a high volume and symptomatic of capital spending at a rate which is greater than can be provided out of our own national savings.

But in addition to such imports of capital goods, a further consequence of the excessive aggregate pressure on Canadian resources has been a rapid expansion in the importation of consumer goods including, of course, parts and materials for further assembly or manufacture in Canada. These have risen every year but one in the past ten years, and seem likely in 1960 to be at least 25 per cent higher than in 1956 and more than double the 1950 level.

In other words, we are incurring foreign debt to pay for both a level of capital spending and a standard of comfort which are higher than would be justified by our own earning capacity.

I have no doubt that our exports could be further increased and our imports could be reduced if we adopted a more moderate approach to capital spending in Canada.

If there were a substantial reduction in capital expenditures on the part of governments and business enterprises alike, and so in the demand for capital goods, imports of this character would be less.

Moreover, if so much of our own productive resources were not devoted to construction, more could be utilized in production for export and more could be devoted to production of various kinds of goods for the domestic market at competitive costs and thereby bring about a further reduction in the volume of imports.

It must be assumed that little could be done to reduce the net total of \$1 billion a year which we must pay by way of interest and dividends and for other non-merchandise purposes over and above our receipts of the same character. (A possible reduction in the net bill for some items would probably be offset by some continuing increase in the amounts paid out by way of interest and dividends. We could, however, if we bring to an end the process of heavy foreign borrowings each year, greatly reduce the rate of increase in the annual burden of net payments of interest and dividends to foreigners.)

If we were now to resolve to live within our means -- which includes paying out of current income the heavy interest charges on past foreign borrowings -- our merchandise balance would have to be rectified to the extent of \$1.5 billion a year, either by increases in our exports or decreases in our imports or by a combination of increased exports and decreased imports.

Living Within Our Means

Supposing we had been living within our means during the past five or six years, what would the difference in capital expenditures have been? This is a matter for conjecture and no doubt every person would have his own ideas on the subject. We must realize, however, that it would have meant that we would have built fewer houses and perhaps lower-cost houses (actually,

new houses completed in the past five years exceeded net family formation, including immigration, by 250,000 units). This would have meant a smaller consequential expenditure on streets, sewers, etc. by municipalities. We would also have built fewer miles of new high-cost highways, and would have tried to finance more of various expenditures by governments and government enterprises out of revenue instead of out of borrowing. We would have had somewhat less in the way of natural-resource development (some obvious cases will occur to everyone)--would have needed less hydro-electric development (particularly if some part of such development had to be financed out of increased revenues instead of borrowing) and would, of course, have had somewhat less spending on public buildings and other public facilities. In consequence of the lower level of capital expenditures in these more obvious fields, there would have been other sectors of private business which would not have expanded so much so soon.

It may be argued by some that a lower level of capital expenditures would not necessarily, considering the structure of our economy, have assured a balanced position in our international payments. Other conditions might have had to be different than they were if we had resolved to avoid further foreign borrowing on balance. But certainly a major essential would have been that capital expenditures should not have exceeded our capacity and willingness to provide for them out of our own savings out of income and production each year.

Not all capital expenditures, whether public or private, have in the past been necessary or productive. Some have been misdirected or premature. Some provided us with a higher standard of comfort or public amenities, which were of course good things to have but not at the expense of increasing our foreign debt.

Effect on Employment

It must be emphasized that the scale of capital spending need not be forced or permitted to rise at the rate of recent years in order to maintain total employment in Canada. Indeed, it must be obvious that the excess spending in Canada which forced a large excess of imports went to maintain employment outside Canada. Moreover, other countries with a more moderate rate of expansion have had just as good or better a record in regard to employment and unemployment. By attempting an excessive rate of expansion, we encouraged employment in particular fields of activity to rise to a level which could not be sustained and prevented other more stable types of activity from expanding their employment opportunities. This was not contributing to the maintenance of stable employment conditions. Our heavy reliance on capital spending and on the inflow of foreign

capital has indeed complicated rather than assisted the task of achieving a sustained high level of employment.

Do we want to live within our means? Adjustment to a lower scale of total spending in the economy is obviously possible if we are resolved upon it. There is room for debate about methods and measures, but let us not exaggerate the difficulties that would be involved in making a substantial start on getting away from the present heavy dependence on foreign resources and foreign borrowing. Increases in the rate of private saving of various kinds, and of public saving through governments developing an excess of revenue over total expenditure, are surely possible without hardship. At the same time there are various kinds of capital expenditure, both public and private, which we do not need to increase as rapidly in the future as we have done or attempted to do in the past. We may have to question among ourselves the sanctity of a number of sacred cows in the field of public investment. This may be shocking to exponents of the do-it-all-now-at-any-cost school of expansion, but it may yield some interesting answers once we begin to ask the right questions. One of the questions might be--are those who will benefit willing in certain cases to pay for further capital expansion by rate charges on a pay-as-you-go basis? Another question is whether the community as a whole or the affected groups are willing to pay for certain public expenditures out of increased taxes? If not, what things would we be most willing to forego if borrowed funds were not available? In the field of natural-resource development, is it necessary or wise to proceed at quite the pace we attempted in the fifties, or would it be desirable for public authorities to husband more of our natural resources for development at a time when Canadian savings, growing over the years, would be larger and better able to finance their development without foreign capital?

How Much is Necessary?

There can be no doubt that most of the kinds of capital expenditure now being made in Canada are good in themselves in varying degrees, but even where they are highly desirable the combined total is so large as to raise the question, how much is really necessary, and how soon is it necessary that certain projects should go ahead?

This is the kind of question that individuals and families have to ask themselves constantly. It is most unusual for any family to be in a position where it can afford to have whatever it wants and all that it wants as soon as it wants. There will always be many desirable things it would like to have or do but cannot afford--at any rate not yet--not until it has built up its earning power (production) or is able to increase its saving by doing without something else it wants less. What is taken for granted in the case of a

family is no less necessary in the case of the nation as a whole, though of course certain enterprises within the nation may prudently borrow for certain purposes if other sectors will provide the savings. In addition to the test "Is it good?" there must be applied the further test "Can we really afford it? Can we pay for it out of our own production or income or within the limits of prudent borrowing at home?" And, if not, "Is there something else we want less and could do without in order to save and have this?" As a nation we cannot in the long run avoid this kind of choice any more than we can avoid it in our separate families. Relative to other countries the choices that face Canada, the second wealthiest country in the world, should not be too hard.

Three years ago, when reviewing the development of the very large balance-of-payments deficit of 1956, I remarked that "an import surplus or balance-of-payments deficit of the present size is the product and symptom of an excessive rate of spending in the economy, not just of a reasonable rate of real growth. It would be disturbing to think of an import surplus of such magnitude continuing for an indefinite period". At that time I expressed the belief "that total spending of all kinds was at least \$1 billion greater than would have been desirable from the point of view of general stability and sound economic growth".

Three more years have gone by in which we have had large balance-of-payments deficits and we are now launched on another year with the prospective excess of spending over production being greater than ever, presumably to be made possible for the time being by an equivalent excess of imports which will have to be financed by foreign resources in one form or another.

The relationship between excessive total spending, the excess of imports over exports, and continued borrowing abroad (or investment in Canada by foreigners) is obviously one of interaction. If spending exceeds local production it must induce either inflation, or a flow of imports in excess of exports, or both. Such imports can only be financed either by running down the national reserves of foreign assets, or by new borrowing abroad, either of which causes the net foreign debt of the country to rise by an equivalent amount.

Borrowing Abroad

Conversely, the ability to borrow abroad or obtain investment funds from abroad makes possible for a time the maintenance or expansion of spending programmes which otherwise would have to be curtailed or held to a smaller rate of increase. Borrowing abroad, therefore, not only finances a rise in imports, it makes possible the spending which gave rise to the increased load on the domestic economy which induced the rise in imports. (The imports are not necessarily made by the same person who does the borrowing and spending.)

Contrariwise, willingness to do without foreign borrowing, willingness to hold spending programmes to amounts that can be raised at home out of revenues, or available loanable resources at home, will reduce inflationary pressures and the volume of imports, and, therefore, the size of the current account balance of payments deficit. It will also increase our ability to compete in export markets.

New foreign investment in Canada each year may be divided into two broad categories. One is that which is undertaken by foreigners on their own initiative, either by way of direct investment in Canadian subsidiaries or by way of purchasing in the market Canadian stocks and bonds, payable in Canadian currency. The other broad category is that which would not take place without the initiative being taken by Canadians, whether governments or business. In this category, the parties chiefly involved in recent years have been the provincial governments and a number of municipalities which have borrowed abroad through the issue and sale of bonds payable in foreign currency. The Federal Government has not borrowed abroad since 1950, but provincial and municipal net new issues abroad, of bonds payable in foreign currency including guaranteed as well as direct issues, have been substantial every year except 1955 and rose to \$340 million in 1959. Gross new issues have of course been considerably larger.

Local governments and their government-owned business enterprises and other agencies that issue or guarantee securities payable in a foreign currency incur an exchange risk of unknown dimensions. Because they have no foreign currency revenues and because no one can know what rate of exchange will be ruling at various times in the future when payments of interest and principal have to be made, they do not in fact know what the borrowed money is going to cost in terms of Canadian dollars, the currency in which their revenues are paid.

Although at one time access to the United Kingdom capital market, the United States capital market and other foreign capital markets may have been a helpful standby to remedy inadequacies in the Canadian capital market, it has not been necessary from that point of view for some years. Canadian savings and the machinery of the Canadian capital market can now supply all the capital funds needed by governments and business combined to carry on a capital expenditure programme as large in total as is sound and healthy for the Canadian economy to sustain in any one year.

Further resort to foreign borrowing in such circumstances by local governments and their agencies would be based either on the opinion that such borrowing will prove cheaper in the long run--which is a gamble on the exchange rate, not a sober judgment--or on disregard of the possible consequences for future budgets and future generations of Canadians. It is difficult to see how this can be considered sound finance.

Role of Public Policy

I have at several points in my remarks today suggested what public authorities could do to help bring about a better balance in our savings-expenditure ratio, reduce our rate of foreign borrowing, and moderate to some degree the ups and downs of the business cycle. Of course the problem before us covers a much wider territory.

I should like to revert for a moment to the relationship between monetary policy and the various other factors which can make either for stability or for instability. Unless public policies and private practices alike play their part in the struggle to achieve a more balanced economic structure in Canada, both monetary policy and the credit policies of the banks may be put under great strain--and the desired results will nevertheless not be achieved.

Those outside central banks who say that monetary policy, usually called "tight money", cannot by itself restrain inflation or protect a country from living beyond its means, are only saying something that central bankers have been trying to explain and emphasize for a long time past.

To go on, however, and say or imply that monetary policy is therefore useless and that tight money should be replaced by easy money, is nothing but mischievous defeatism. Anything that can be done by any agency or any group in the community to try to maintain overall stability should be done.

If tight money and high interest rates are painful, and by no means fully effective, the remedy is not to court disaster by cultivating easy money or funny money or subsidized money, but to remove the fundamental cause. So far as the cause is of external origin it is a question of how fast foreign enterprises are to develop their projects in this country. So far as the cause is of Canadian origin, the cure is basically a question of self-restraint and morale.

For us in Canada to adopt the goal of living within our means would not in any way require giving up the goal of progress and expansion. On the contrary, it would enable us to achieve sustainable, efficient and fruitful expansion in a much more satisfactory way than in the past. Nor would it mean we would have a slower rate of growth or a smaller proportion of new investment in physical equipment than in other countries. On the contrary, our own annual rate of saving, even without any further increase, is such as to provide a greater degree of new capital investment within our borders year by year than that which normally takes place in most other countries, including the United States. Every year we would be able to increase our productive plant by a

greater amount than the preceding year. Our Gross National Product could be growing at least as rapidly as in the past, though some parts of the pattern of production and employment would be different.

Progress and Prudence

The object of economic policy on a self-sustaining, self-respecting basis is growth not stagnation, progress without recurrent chills and fevers, and the greatest possible measure of the good things of life for the greatest number of people. But in pursuit of these objectives prudence and moderation and putting saving before spending can do more for us, as they have for others, than overreaching and undue haste, and prolonged reliance on the crutch of rapidly rising foreign debt.

Last October I attended the annual meetings of the World Bank and International Monetary Fund, two institutions which are dedicated to the promotion of sound economic growth, monetary stability, and the expansion of international trade. I heard the President of the World Bank congratulate a European country for having overcome its postwar inflationary pressures, which were much worse and much more difficult to deal with---because of the destruction and dislocation arising from the War---than the pressures in Canada with which we have been faced and which we have not yet succeeded in containing.

He attributed their success not to the possession of rich natural resources, of which indeed they have none, but to qualities of personal character and community morale, namely, hard work, self-discipline and financial statesmanship.

With these qualities, and assisted in the early days of post-war rehabilitation by some foreign loans -- including loans from Canada, it is strange to recall that for a time after the war we were a lender rather than a borrower -- with these, they set their house in order, overcame great hardships and handicaps, and succeeded in living within their means, and paying off gradually their post-war foreign debt. They did this, and a number of other European nations pursued much the same course, because they knew it was in their interest as an independent, industrious and self-respecting nation.

Who will say it is beyond the power of Canadians to do the same?

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

60/11

CURRENT INTERNATIONAL PROBLEMS - A CANADIAN VIEW

Statement by the Secretary of State for External Affairs, Mr. Howard C. Green, to the House of Commons on February 10, 1960.

.... I find that the Canadian people are very much interested in external affairs. Fortunately, or unfortunately, they are much more interested in what the Secretary of State for External Affairs says than they were in what he said as Minister of Public Works. Probably we underestimate the intense interest of the Canadian people in world affairs at the present time. After all, is it any wonder that such should be the case? Because it just may be that the whole of our civilization is at stake, depending upon what is done by the various nations.

In my remarks today I intend to deal with nine different subjects. They are disarmament, the North Atlantic Treaty Organization, the Commonwealth, Canadian-United States relations, Latin America, Canada and the Pacific, the Middle East, the United Nations, and the Law of the Sea. If I find that time is going I may possibly delay my remarks on the Law of the Sea until we get into the Committee on External Affairs.

Before going on with these nine different subjects, I have two general comments to make.

The first is that in the world today Canada has only friends and no enemies. She is a comparatively young nation with an excellent record, for which credit is due to those Canadians who have been in positions of responsibility down through the years. Canada is a nation with no designs on anyone, a nation whose people approach world affairs with an unselfish attitude, and also a nation whose people have great capacity for friendship. I repeat that Canada today has only friends and no enemies.

For this situation, too, we owe a great deal to those distinguished representatives from abroad who have come here to man the embassies and the high commissioners' offices. They keep us informed of the views of their respective countries, and they go home at the end of their term, or to another post, friends of Canada. They have played through the years a very important

part in spreading good will for Canada throughout the world. I should like to pay that tribute to them today, and to thank the members of the present Diplomatic Corps who have been of great help to me in these last eight months.

The second thought I should like to place before the House is that the time has come to drop the idea that Canada's role in world affairs is to be an "honest broker" between the nations. We must decide instead that our role is to be to determine the right stand to take on problems, keeping in mind the Canadian background and, above all, using Canadian common sense. In effect, the time has come to take an independent approach.

I do not want to leave the impression for one minute that former governments have not taken an independent approach, but across the country one has heard time and time again, "Oh, Canada can do a great deal by being honest broker between the nations, particularly between the big nations, by running from one to the other and suggesting that one should modify its attitude because the other one does not like it", and so on. This has been so particularly as it concerned dealings between the United Kingdom and the United States. Every member of the House will have heard comments to the effect that Canada should be interpreting the British to the Americans and the Americans to the British.

That idea used to appeal to me, and it may have been a wise plan to adopt at one time. But today the British and the Americans are just as close together as any two nations could be. They do not need any interpreters from Canada, or from any other place. Sometimes I think, when we do not agree with their policies, that they "gang up on Canada". I am not using the phrase "gang up" in any offensive way; if they think we are in the wrong, then it is natural that they should get together and try to do what they can to persuade us to change. It is all done in a very friendly way with the attitude that "this hurts me more than it hurts you". So we are all good friends. It is not as if there is any lack of friendship and understanding. But I do ask the Honourable Members of this House to consider whether Canada would not gain more respect in the years that lie ahead and exercise more influence if she forgot about this role of being a middle man or an honest broker.

Then to come to my first subject, the subject of disarmament. In my judgment the field of disarmament is the most important field for Canada in world affairs in 1960, because our nation is a member of the 10-Nation Disarmament Committee, which literally carries with it the hopes of mankind.

May I just outline something of the background? For many years there have been attempts to work out some system of disarmament both in the United Nations and outside. Canada, I think, has participated in every committee or commission on disarmament since these efforts began and has made a splendid contribution. But this work has been discouraging, and to a

degree disillusioning. During the summer of 1959, the position was that in the United Nations there was a Disarmament Commission whose function was supposed to be to work out some method of disarmament. As I understand it, the attempt had been made earlier to have a fairly small committee deal with the subject but it had been unsuccessful, so this United Nations Disarmament Commission was set up, consisting of every one of the 82 member states. You can imagine how difficult it would be for a Commission of that size to get results, and of course there were no results obtained.

Then last summer the Foreign Ministers of the United States, the United Kingdom, France and Russia spent many long weeks negotiating at Geneva. One result of their deliberations was that at the conclusion of their Conference they announced their intention of inviting Canada, Bulgaria, Czechoslovakia, Italy, Poland and Roumania to join them on a new 10-Member Disarmament Committee. They announced at the time that this Committee was expected to be, and I am now quoting from their announcement:

"a useful means of exploring, through mutual consultations, every avenue of possible progress toward such agreements and recommendations of the limitation and reduction of all types of armaments and armed forces under effective international control as may, in the first instance, be of particular relevance to the countries participating in these deliberations".

It should be pointed out that five of those countries are Western countries and five are Eastern. All of the five Western countries belong to the North Atlantic Treaty Organization, and all of the five Eastern to the Warsaw Pact. Canada, of course, was perfectly willing to fall in with this idea and to serve on such a Committee.

The four big nations which had decided to set up the Committee so reported to the United Nations in September because, after all, here was the Disarmament Commission of the United Nations supposedly dealing with this question of disarmament, and it was essential that there should be some arrangement worked out between the 10-Member Committee and the large United Nations Disarmament Commission. The four big powers asked that the United Nations Disarmament Commission be convened to hear formally of the creation of the new Committee of Ten. These four powers, moreover, made it clear that the United Nations would be kept informed of progress in the deliberations of the Committee, because it was essential to keep the United Nations in the picture. After all, the only way in which a world-wide disarmament plan will be worked out will be under the aegis of the United Nations.

Canada was particularly concerned that the United Nations should be kept fully informed, and when I spoke in New York on September 24 I pointed out that the middle-sized and smaller powers must have an opportunity of being heard, since disarmament is of the deepest concern to all mankind. I said, further, that in Canada's work on the 10-Nation Committee we would at all times keep these considerations very much in mind.

At the United Nations last fall it was very clear that the delegates from every nation were far more interested in the question of disarmament than in any other question. They had witnessed a lessening of tension across the world. There had been a visit by Prime Minister Macmillan and Foreign Secretary Selwyn Lloyd to the Soviet Union, and while we were in New York, Premier Khrushchov came to the United States. The two leading speeches in the opening debate at the United Nations were made by Mr. Selwyn Lloyd and by Premier Khrushchov, and both dealt with disarmament; each speaker put forward a plan for disarmament. Thus, I repeat that at the United Nations there was tremendous interest in this question of disarmament, and I suggest that right around the world today there is a realization in the minds of millions of people that a nuclear war would be a catastrophe and that it would probably end civilization as we know it.

In these circumstances it was to be expected that the United Nations would fall in with the proposal of the four big powers that this Disarmament Committee should carry on the work on the question of disarmament. Something happened which had never happened at the United Nations before, I believe, when all 82 nations co-sponsored the resolution which provided United Nations facilities for the meetings of the 10-Power Committee. That resolution contained these words:

"The question of general and complete disarmament is the most important one facing the world today."

The Canadian Government realized from the start the vital role Canada could play in these disarmament deliberations, hence the appointment of Lieutenant-General E.L.M. Burns as Canada's representative at these discussions. I do not need to tell anyone in this House of the wonderful record of General Burns in two wars, as Deputy Minister of Veterans Affairs, then as Chairman of the Truce Supervision Body in Palestine and finally, as Commander of the United Nations Emergency Force. He is a man respected not only from coast to coast in Canada but by delegates from every member state in the United Nations. We were able to persuade Mr. Hammarskjold, the Secretary-General of the United Nations, to release General Burns from his important command in the Middle East because the Secretary-General felt--and so did General Burns--that he could make an even greater contribution as a member of this Disarmament Committee.

In addition, Canada has opposed from the beginning any delay in the actual commencement of the work of the Disarmament Committee. We did this for several reasons, but principally because we were afraid that if there were not an early start there might be an increase in tension, and around the world people might become discouraged again and decide they would have to pay more attention to arming, with the result that the impetus gained by the friendly actions taken in 1959 might be lost. There was some inclination in some other countries to postpone the calling together of the Disarmament Committee until after the East-West summit meeting had been held. This is not to be held until the middle of May.

That would have meant that the Disarmament Committee would not have begun to function until June, or later. The next session of the United Nations would commence about the middle of September, and the 10 Nations would then be in the position of having nothing to report to the other 72 member nations who are depending on us to get some results on this question of disarmament.

As I said, Canada insisted from the start that there should be no delay in getting busy on this disarmament question. In Paris last December, when we were attending the NATO meetings, the Foreign Ministers of the five Western members on the Disarmament Committee were called together at the Quai d'Orsay and there we decided to invite the five Eastern members to commence the sittings of the Disarmament Committee on March 15. That invitation was accepted and the 10-Member Committee is to start its work on or about March 15, I believe, in Geneva. In addition we set January 18 as the date for the first meeting of representatives of the five Western members of this 10-Nation Committee. These meetings commenced in Washington on January 18 and have been continuing ever since.

At the same time, in Paris, the North Atlantic Treaty Council, which of course contains representatives from the 15 nations belonging to NATO, decided that the five Western nations on the Disarmament Committee would do all the preparatory work on disarmament for the East-West summit meeting and, further, that NATO would give all the help it could to the Disarmament Committee. You see, NATO is very much involved in the question of disarmament, because NATO has most of the forces which, of course, would be involved in disarmament and would have to work out many of the problems.

Thus the Five-Nation group of which Canada is a member has a double function. It is, first of all, to participate in the discussions with the five Eastern nations and, second, to do the preparatory work on disarmament for the United States, the United Kingdom and France for use by them at the East-West summit meeting. Arrangements were made to keep the NATO Council in the picture and that there should be regular reports to the Council. That plan is being carried out. The Five-Member Disarmament Committee is reporting to the Council from time to time.

To date, while the Five Nations have been meeting only since January 18, there has been considerable progress made. General Burns has been in Washington and he comes back here from time to time. I had an interview with him last Friday. Canada is putting forward her proposals which I am not at liberty to disclose as yet. Also we are getting great help from our own Department of National Defence.

There is a series of studies being made under the direction of the Five-Nation group and the whole situation is really hopeful. We believe that the general objective on this

question of disarmament must be to achieve a maximum of disarmament and reduction of military forces which could be verified and controlled and which is compatible with the maintenance of adequate security against aggression. However, no one should underestimate the difficulties that lie ahead nor look for universal panaceas in the near future.

There is no intention on the part of the Canadian Government to let down the guard so far as Canada is concerned, but we do believe that a genuine effort should be made to work out some scheme of disarmament. If every nation on that 10-Member Committee feels the same way about it, then there will be results which will benefit mankind. This should not be taken as meaning that, if the five Eastern countries will only approach it sincerely, there will be worthwhile results. I mean all ten nations both on the Eastern side and the Western side. If they all genuinely want disarmament in the world today then there will be disarmament.

The second subject is the North Atlantic Treaty Organization. NATO is essentially a defensive alliance and it has fulfilled this function. After all it was set up to prevent aggression by the Eastern nations. Whether or not they would have committed aggression no one can say but there has been no aggression during these ten years. NATO continues fulfilling that same function today and must continue doing so until there is actual controlled disarmament.

Canada is doing her full share in the Alliance. We have a magnificent brigade of troops in Europe and we have a thoroughly efficient air division which next to the air forces of the United States is the most powerful and effective air force in the NATO organization today.

Sometimes when I hear of the criticism of the Department of National Defence I think it would be worth-while for Canadians to recognize the fact that in peacetime Canada has abroad a permanent-force army. How difficult it is for any old soldier from the First World War to realize that. I think back to those days when my one ambition was to fulfil the terms of the song "When I get my civvy clothes on, Oh how happy I will be". I remember how everybody wanted to get out of Europe by the first boat and what a job it was to get them sorted out because everybody thought he should be on the first boat. The same thing was true of the Second War. We now have a permanent-force army and a permanent air force stationed in Europe. I repeat that Canada can hold her head high because of the contribution that is being made by her young men to the strength of NATO.

There is in that organization a spirit of comradeship built up over the last ten years which is very strong. These fifteen nations understand each other's viewpoint. There have been friendships made which will last for a lifetime. The leaders of all these countries are on the very best of terms and fundamentally the foundations of NATO go very deep. I do not believe there is any chance of the NATO Alliance breaking up.

Most of the European members of that Alliance have made an outstanding economic recovery. They are in a very strong position; for example, France, Germany, the Netherlands and Belgium. Some, of course, are not in such a good position. Naturally there are problems.

Here you have these 15 nations and, as I say, there are problems. One which has worried Canada considerably has been to ensure adequate consultation. Last fall the big powers were talking about a summit meeting and other subjects and they were not agreeing. One thought this should be done and another thought that should be done, and instead of going to the NATO Council and airing their troubles there they said nothing about them. All the press in all the NATO countries started to speculate, as the press will do quite naturally. The press made quite a lot of good guesses, and the whole story was on the front page of all the papers in Canada, in the United States, in France and in England. The whole story was there, and yet there were no adequate consultations in NATO.

When I went to Paris in October I had an opportunity to speak to the NATO Council and emphasized on behalf of Canada that we thought there would have to be a far better system of consultation. I made the same submissions to President de Gaulle, to Prime Minister Debré and to Mr. Couve de Murville the Foreign Minister of France, also to Prime Minister Macmillan and Mr. Selwyn Lloyd, and they all agreed. The Americans agreed at Camp David a few weeks later. Everybody was perfectly willing to consult, but they still were not consulting.

The smaller nations, of course, agreed with us that there was great need to get a somewhat better system.

One direct result was that, when the Western summit meeting was held in Paris in December, there were consultations in the NATO Council before that was held, and there were also consultations after. The Foreign Ministers of The Four came together and reported to the NATO Council. The report was not treated in a perfunctory way. It had quite a going over at that meeting of the Council which followed the meeting of The Four.

The same plan is to be followed this year. There is to be a meeting of the Heads of Government of the four Western Powers, I think in April but in any event there are to be consultations with the NATO Council at each stage.

France, of course, has a special problem in Algeria. After the events of the last 10 days or two weeks, I am sure the Canadian people will have a far clearer realization of the very difficult problems France has been facing and still faces in Algeria. She has an outstanding Foreign Minister in Mr. Couve de Murville. He speaks with great logic and great friendliness. He is very well liked in the NATO Council. I suggest that Canada must at all times have the deepest understanding for France and her problems. She, of course, is one of our mother countries,

and one feels that when he goes to her shores. I am of Anglo-Saxon descent, and yet when I went to Paris, in fact the minute I stepped off the plane, I felt that I was at home with members of the family. We were treated in just that way on both occasions that I had the privilege of visiting France. I repeat, so far as NATO is concerned, that in my judgement there certainly is no sign of any impending break-up. I hope there will be no more talk in Canada about possible break-up.

I should like to explain in a word or two the position of NATO in relation to European trade problems. This is not my field, of course; it comes under the Minister of Trade and Commerce and the Minister of Finance. I had thought that NATO would be a forum for settling the difficulties about European trade, but when you remember that six of the NATO countries are in the Common Market--they are the Inner Six--and that only four of the European Free Trade Area known as the Outer Seven are in NATO, and that there are two from North America, Canada and the United States, and three, Greece, Turkey and Iceland, which are not in The Six or The Seven; and when you think that Sweden, Switzerland and Austria are not in NATO; when you look at this picture, you realize that NATO is not the place to work out the problems of trade in Europe. Hence the solution of these problems has been left to other organizations and including the possibility of a new organization being set up. Every one of the NATO countries is very anxious to do whatever it can to solve those difficult trading problems.

I should like to sum up what I have to say about NATO in these words. I believe it is remarkable that NATO has developed the way it has into a closely-knit and effective organization for collective defence and co-operation in many important non-military fields. Its strength derives in large measure from the freedom and independence which its members exercise and from the strong ties of history, culture and friendship, which the nations of Western Europe share with Canada and the United States. With this background, I believe we can be confident that any differences which arise out of the Alliance will be resolved, as they have in the past, in a spirit of friendship and mutual regard for each other's interests.

I go on to the Commonwealth. Canada's relations with each one of the other nine members of the Commonwealth are excellent. All 10 members value this membership very highly. Why should they not? As members of the Commonwealth, they have far more influence than any one of them could possibly have alone.

Another reason why they place great value on this membership is that today the Commonwealth is obviously the best bridge between the continents, playing a significant part in world affairs and of necessity working for peace. This Commonwealth of ours is so spread out around the world that it must work for peace. If there should be war the Commonwealth would be in far more trouble than the United States or the Soviet Union because, as I say, it is so scattered across the globe, and certainly everyone in the Commonwealth at the present time is working for peace.

Another reason why great value is placed on membership is that the Commonwealth is steadily growing and growing in a way that sets an example to all the rest of the world. On October 1 of this year Nigeria is to become a free nation and of its own free will a member of the Commonwealth of Nations. Nigeria is one of the leading countries in Africa with over 30 million people, the most populous country on that continent, and I believe it has the stability and the organization to make a splendid contribution, not only in the Commonwealth but also in the United Nations and in world affairs generally. This nation is one more that is being launched as an independent nation under the leadership of the United Kingdom and the other members of the Commonwealth.

We think of the launching of India, that great country which has been such a friend of Canada from the time it first got its independence, of Pakistan and Ceylon, both similarly great friends of Canada, of Ghana, Malaya and now Nigeria; and, shortly to come, the West Indies Federation, Uganda, Tanganyika and Kenya, and sooner or later the problems of the Central African Federation will be worked out. When we think of these developments going on in the Commonwealth at this time, we have every reason to be proud of our membership in that organization.

I know from my own discussions in London with Lord Home, Secretary for Commonwealth Relations, and Selwyn Lloyd that these British statesmen are deeply concerned about launching these new nations. They are putting much thought into working out the best plan to help these nations gain their independence. Here is statesmanship of the highest order.

In these short months the Prime Ministers of the Commonwealth will be meeting and there further great steps forward will be taken. I think of the contribution our own Prime Minister made in 1957 when, within a few days of taking over his present position, he got on a plane and went to London to participate in a Commonwealth Conference and there gave splendid leadership which had a great deal to do with making the Conference the success that it was. He will be leaving us again for the meetings which commence early in May. Because of the contacts and friendships he made with leaders of all the other Commonwealth nations at the Conference in 1957 and during his tour in 1958, I believe that Canada can do a great deal at the Conference in May of 1960 to strengthen further the Commonwealth and to help to implement the plans for launching new members on the world scene.

There is one other aspect of Commonwealth relations which is very important to us at the present time and that is the plan for Commonwealth scholarships. It was in 1958 at a Conference in Montreal that arrangements were made to set up a Commonwealth Scholarship Plan and that Plan is now about to function. Last summer a Commonwealth Conference on Education was held in England which took further steps toward implementing the Scholarship Plan. It approved a Canadian proposal for an exchange of high-level academic scholarships between different parts of the Commonwealth. It was agreed that a total of 1,000 scholarships

should be exchanged between the nations of the Commonwealth, and Canada undertook to place 250 students from other parts of the Commonwealth in Canadian universities and other educational institutions at a cost of about \$1 million per year.

To guide Canada's participation in the Scholarship Plan, the Government has appointed a Canadian Scholarship Committee. The Committee is working smoothly in receiving applications from students in other Commonwealth countries who wish to study in Canada and in processing the applications of Canadians who wish to study abroad under the Plan. I am hoping that this fall 100 to 125 students from other parts of the Commonwealth will come to Canada under the Plan. They will be here for a two-year term and at the start there will be about 125.

Also at the Conference in the United Kingdom the more advanced countries agreed to provide assistance in the general field of education to their less-developed partners. Canada undertook to provide assistance by sending teams of teachers abroad to assist in training teachers in other countries, and to receive trainees for the same purpose in this country. Work is under way to implement that portion of the policy.

The fourth subject is Canada-United States relations. One might make a very long speech on this subject but today I merely wish to say that relations with the United States also are excellent. They are on a personal basis between our own Prime Minister and the President of the United States, between the Secretary of State and myself and between various other Ministers of the two Governments. This is true also at the ambassadorial level. Canada is extremely well served in Washington by our Ambassador there, Arnold Heeney. He is very well liked in Washington and I think he is doing a splendid job. Similarly, the United States Ambassador in Ottawa, the Hon. Mr. Wigglesworth, is giving splendid representation here. The relationship between the two countries at every level could not be better.

There has been a very significant step taken within the last year or two in the setting up of a Joint Legislative Committee, composed of members of the Senate and the House of Commons and of the United States Senate and House of Representatives. This Committee will be meeting again, in Washington this time, within the next few weeks. This informal group has done a great deal to help create understanding in the respective legislative chambers. Of course, there are also the relationships between private citizens of the two countries, which are probably on a more intimate and friendly basis than those between private citizens of any two other countries in the world.

We had a very successful visit at Camp David early in November when the Joint Ministerial Committee on Defence met. We were able to sit around in the lounge of the main building and discuss views frankly on a man to man basis, with both sides feeling free to make any complaints or any suggestions. I feel the results were very beneficial. I am sure this means a lot to Canadians and, of course, it does also to the people of the United States.

In the world today this is a very important relationship. One good example of the result is that tomorrow there will be negotiations taking place in Ottawa between the representatives of the United States and Canada concerning the development of the Columbia River. Here we have another great scheme which can be developed only if there is co-operation between the two nations. If this development does take place it will mean a great deal to the citizens of both countries. The representatives of the two nations have been able to get together in a way which I am sure will bring about a solution of this problem.

We are having a similar experience with regard to the Passamaquoddy Project in the Maritimes. The International Joint Commission has been making studies of that Project, and I hope eventually it will be possible for some workable scheme to be devised which will be of benefit to the citizens of both the New England States and our own Maritime Provinces.

We have the same type of relationship with regard to another body of water. I refer to the Great Lakes and the St. Lawrence River. This is a joint asset which probably no other two countries in the world can equal. Its use for the purposes of power production, recreation, navigation and the protection of commerce really startles the imagination. It has been necessary, in order to maintain this great resource, for Canada to deny requests, which otherwise we might have been able to entertain, from some United States interests who have wished to remove some of the water from this basin for other uses. It has been possible to sit down and talk the whole matter over with United States representatives. I believe there is a thorough understanding between the two nations as to just what is involved.

Sometimes I wonder whether it is realized in all parts of the United States, or even for that matter in all parts of Canada, just how vital the St. Lawrence and Great Lakes have been from the dawn of Canadian history. They have been the main geographic features in the development of Canada. Two-thirds of the people of our nation live in this area, and for us it is possibly of a great deal more significance than it is in the over-all United States picture. If that fact alone is realized, I believe that our difficulties with the United States on this question will eventually be solved.

Then, I come to the fifth subject, and will deal with only four more. I refer to Latin America. In what is known as Latin America there are 20 republics all imbued with the love of freedom and all very responsible members of the United Nations. Many of them took part in the old League of Nations. At the United Nations today, these 20 Latin American nations are making a great contribution. The current President, Dr. Belaunde of Peru, has been outstanding in fulfilling the functions of that office. Latin America has given 5 Presidents to the United Nations since that organization was set up, a far larger number than from any other area in the world.

They have a deep friendship for Canada. They feel that we are all American nations together, that we are all in the Western Hemisphere and that we have very much in common. They are anxious to increase their trade with us, and we are anxious to increase ours with them. I think there is also a great deal more that could be done to extending our relations in the cultural field with these Latin American countries.

It is our intention to pay special attention to Latin America. I am hoping it will be possible to get away for a visit to the Argentine in May when they are celebrating 150 years of independence, and also that it will be possible to visit some other Latin American countries, as well as to hold consultations with our eleven Ambassadors in Latin America. This is an area in which I believe a good deal more can be done than has been done by Canada in the past.

The next subject is Canada and the Pacific. I realize that many Canadians are not clearly aware of the fact there is such a place as the Pacific Ocean. Today I plan to say a few words about Canada's relationships with the different countries around the rim of the Pacific.

First of all, there is Japan. We had a visit a few days ago from Prime Minister Kishi and Foreign Minister Fujiyama. It was possible to discuss all the problems between the two countries in a most amicable way.

Canada's relationship with Japan is excellent. At the United Nations Japan has been one of our firmest friends. She was the first to offer to co-sponsor our resolution on radiation, and we have had excellent co-operation from her representative. In the field of trade they have also been co-operative. There have been difficulties about Japanese goods coming into Canada and affecting the sale of Canadian products. The Japanese have throughout been very fair in the attitude they have taken in these discussions and, as I have said, the relationship between our two nations is excellent.

Then going a little further down on the far side of the Pacific we come to the old Indochina, South Vietnam, Cambodia and Laos. There Canada has been a member of the three International Commissions set up under the Geneva Agreements, and we have as a result had reason to follow very closely what goes on in that particular part of the world. We were worried last fall about the situation in Laos. It appeared as though there might be the beginning there of a full-scale war in the Far East. Canada took the position on the Security Council, and later in the General Assembly, that there should be a United Nations representation sent to and kept in Laos. This policy was followed; I believe there are still representatives of the United Nations in Laos. There has been no war and it looks as though the difficulties are gradually being settled.

We were also involved in this area because with several other countries we are participating in an aerial survey of the Mekong River. This is the key river through that part of Asia just as the St. Lawrence is the key river in this part of Canada. We have people out there now taking part in this survey which will be very beneficial to all of the nations in that particular area.

Then in Malaya, where an outstanding job is being done in carrying on the government of this new member of the Commonwealth of Nations, we have close contacts and there is the best of goodwill between our two countries.

In Indonesia a similar situation obtains. We have many Indonesian students studying in Canada. We have a mission in Djakarta, and the relationship is excellent.

With regard to Australia and New Zealand, here we have, of course, two of our oldest and best friends, the ties are so strong, and they go back over so many years. We work closely together in the United Nations, and under all conditions the relationships between Australia, New Zealand and Canada are excellent. I hope it will not be very long before we can announce the conclusion of trade negotiations with Australia, and from time to time the various problems which arise between these fellow members of the Commonwealth and ourselves will be ironed out.

This is a picture of our friends across the Pacific, and I know that everyone will be wondering just what our attitude is about the recognition of Red China. Most of the countries to which I have referred look on this question in exactly or practically the same light as Canada; for example, Japan, and I believe Malaya, Australia and New Zealand. The Canadian Government does not believe that Red China should be recognized under present conditions. I have made that clear in answer to questions in different parts of the country, and there is no need to repeat here our reasons at length.

Fundamentally, our reasons are that we believe it would be letting down our friends in that part of the world, particularly in Southeast Asia, were Canada to take the step of recognizing Red China at the present time. Also, she is in default under various resolutions passed by the United Nations. Certainly, her actions in Tibet and in India during the last few months have not made it easier for any of the countries which have not already done so to recognize her.

There is another very good reason which I think should be emphasized in this House. One of the main difficulties in any approach to the problem is the fact that given the attitude of Peking, recognition on the part of Canada, unless accompanied by explicit acceptance of Peking's claims to the exclusive right to represent China in the United Nations and to occupy Taiwan--Formosa--would, in all probability, serve to bring about only a

worsening of our relations with Communist China. Evidence of this is a matter of record. The Communist Prime Minister, Mr. Chou En-lai, at the last session of the National People's Congress, held in Peking last April, said unequivocally--and here I am quoting the Chinese Prime Minister:

"Taiwan is an inalienable part of Chinese territory. We are determined to liberate Taiwan, Penghu, Quemoy and Matsu. All U.S. armed forces in the Taiwan area must be withdrawn. The Chinese people absolutely will not tolerate any plot to carve up Chinese territory and create two Chinas. In accordance with this principle, any country that desires to establish diplomatic relations with our country must sever so-called diplomatic relations with the Chiang Kai-shek clique, and respect our country's legitimate rights in international affairs."

It is clear, that the Peking Government's quarrel is not solely with the Nationalist Government installed on the Island of Formosa. The Peking Government is opposed to any arrangement that will give a separate status to Formosa, whether under the Nationalist Government or any other. In fact, the official new China News Agency spoke a few weeks ago of the--I am quoting--"plot engineered by the United States to put Taiwan under United Nations trusteeship".

Now a word about the Middle East. Canada is not a member of SEATO and is not directly concerned with what is done in the SEATO organization. We are, of course, in close contact with most of the nations which belong to SEATO. Our dealings with them are as nations rather than with SEATO as an organization. The same thing might be said concerning the ANZUS Treaty.

The Middle East continues to be a very sensitive area. Canada has Embassies in the United Arab Republic, Israel, Lebanon, Turkey, Iran and I hope before long will have some representation in Iraq. Our relations with all of these countries are good, even though they do not all agree among themselves. We are, of course, at all times doing what we can to help bring about a settlement of these very difficult problems in that area. We are also involved directly because of Canada's participation in the United Nations Emergency Force. We had there in that force 945 men as of December 31. That was the second largest of the seven national units in the Emergency Force.

We believe that this force is rendering a very efficient and worth-while service. Whereas there was some trouble on the Israeli-Syrian border a few days ago, no such trouble has flared up in the area where the United Nations Emergency Force is situated. Of course, it is not equipped for major fighting; it has only small arms and it is only, really, a police force. But we think it is rendering a great contribution, and regard it as a vital stabilizing force in the Middle East besides being a demonstration of the ability of the United Nations in similar conditions to place in the field a paramilitary force of substantial size as a means of separating combatant forces and preventing the renewal of hostilities between sovereign states.

We are also very much interested in the problem of the refugees in the Middle East. This subject was debated at some length in the United Nations, and Canada is continuing her contribution of \$500,000, subject to Parliamentary approval, to UNRWA for work in this field.

Finally, there is the United Nations itself. I do not take the United Nations last because of any considerations as to relative importance, for it certainly is as important in Canadian external policy as any other organization. It is a huge organization with several thousand employees and I believe most of them have a United Nations mentality; rather than feeling they are working for their own countries they feel that they are working for the United Nations. They are being given wonderful leadership by the Secretary-General, Mr. Hammarskjold, who is bringing order out of chaos in an amazing way. When I think of having 82 parties in the House of Commons here and trying to reach any result, and then see the representatives of 82 nations working together down in New York, I am forced to conclude that somebody, somewhere, has done a great deal of careful planning, and it is really a seven-day wonder the way results are obtained at that organization.

From the point of view of a Foreign Minister, the meetings of the General Assembly are extremely valuable. I had the opportunity to meet and talk with at least 35 Foreign Ministers, and I know no other way in which it would have been possible to get their views or to pass on Canadian views to them. These contacts alone have more than justified any time spent in New York during the sessions of the Assembly.

Canada was represented at the last Assembly by a splendid Delegation. I am very proud of the part they played and I include everybody--those who came from outside the service, the delegates, the alternates who came from the Department and the Parliamentarians from all parties. We were there as a team. Each and every one of the group made a great contribution and I think we were able to give Canada good representation throughout the Assembly.

One is also struck by the work done by the Permanent Mission to the United Nations. In effect, this is Canada's embassy at the United Nations, and so much is done there under pressure--resolutions and amendments and difficult problems come up so fast and so frequently--that decisions have to be made in a hurry, various people have to be consulted in a hurry.

We had as our main initiative this year a resolution to provide for more effective collection of information on radiation and fall-out, and also a more effective method of distributing such information. We had a great deal of difficulty in getting that resolution through. The Vice-Chairman of the Delegation, my Parliamentary Secretary, Mr. Nesbitt, did a wonderful job in carrying out these negotiations. He has become one of the outstanding representatives at the United Nations.

With any luck at all he will play a very significant part for Canada in foreign affairs.

These negotiations on this resolution took a long time, in fact they took many weeks. We had to convince the big powers that the resolution should go through, and we had to convince the Eastern powers that we were not trying to deceive them. Finally we got ten co-sponsors--Argentina, Austria, Czechoslovakia, Italy, Ireland, Japan, Ghana, Norway, New Zealand and Mexico. None of these were big powers; we got the middle powers and received unanimous support from the General Assembly. I hope that resolution will be of considerable help in meeting the problems of radiation.

We also had some complications in connection with the election to one of the non-permanent seats on the Security Council. Canada was supporting Poland because we thought that under the gentleman's agreement reached in 1946 the seat should go to Eastern Europe. We also thought this election should not be made a cold war issue. Poland had been in the field for some time, before the United Nations sat, whereas Turkey was not put forward until after we had met in New York; taking all these things into consideration we reached the conclusion that we should support Poland. Many of our friends thought the same thing; many of the Latin American nations, for example, reached the same conclusion. There was a series of votes, about 50 votes altogether, but nobody would give in. Both contenders were evenly balanced. Finally, our Delegation was able to play a considerable part in bringing about a compromise under which Poland took the seat for the first year, and Turkey will take it for the second.

We also had difficult questions to face in connection with atomic tests. There was a resolution condemning the proposed tests in the Sahara and Canada, having made her decision clear from the start that she was against atomic tests, voted for that resolution. It was very difficult for some of our friends to understand why we would not be voting on their side but we believed that our policy was the right one and we voted for the resolution throughout.

We were able to support France later on in the resolution about Algeria. President de Gaulle, we thought, had offered very good terms for the settlement of that problem and we felt free to support France throughout on that question.

We have been criticized in some places in Canada for our vote on the resolution on apartheid. Here again was another very difficult question. The previous Government, just as the present Government, had been against the policy of apartheid. No one in Canada believes in an apartheid policy. Yet the previous Government had seen fit throughout to abstain in so far as paragraphs in resolutions directly condemning South Africa were concerned and in certain cases saw fit to abstain on the whole question. I think in no case did they vote against South Africa.

Last year the present Government did vote against South Africa on a resolution which was a good deal milder than the one which was brought forward in this last session of the United Nations; after careful consideration we voted for those paragraphs in that resolution condemning apartheid in general but abstained on the paragraphs which named South Africa; abstained on the vote on the whole resolution.

Last fall South Africa was elected one of the Vice-Presidents of the United Nations and her Foreign Minister, Mr. Loewe, made an excellent contribution to the work of the Assembly. In addition to this South Africa has had a long record of worth-while accomplishments which it would not do any harm for the Canadian people to recall.

Just about 60 years ago the Boers in South Africa were fighting a valiant battle against the British empire with Canadian troops participating against them. After that war they were offered self-government and the great Boer leaders General Botha and General Smuts took the lead in accepting that offer and in setting up a government in that country. Within a few short years World War I broke out and they actually put down rebellion in their own country by one of their fellow generals in the Boer War of a decade earlier and their troops fought beside us throughout the World War.

In the intervening years General Smuts as Field Marshal Smuts became one of the outstanding world statesmen of my time. Other than Sir Winston Churchill there were probably no more outstanding world statesmen contemporary with Field Marshall Smuts. He made a great contribution toward world peace.

In World War II South Africa was with us again. Before we talk of voting against South Africa and of taking the course advocated by a delegation here not so long ago, a course that would lead to South Africa being thrown out of the Commonwealth, I suggest that all Canadians should just stop and think for a few minutes. If we adopt the sort of policy that would lead to throwing countries out of the Commonwealth there would be no Commonwealth left before very long.

Canada believes that the Commonwealth is of such great value in world affairs that a course of the type I have mentioned would be doing a disservice to the Canadian people and to the world at large. We have been able to use our influence for the modification of policies we do not like, but to come out and condemn a fellow member of the Commonwealth as has been suggested would be very unwise in our opinion.

So much for the nine subjects which have now been reduced to eight.

In conclusion may I say this. Canada is a strong young nation, steadily growing stronger. It is a nation, as I have pointed out, with a good record in world affairs, with

many friends and one that is actively participating in various associations such as the Commonwealth, NATO and so on. Above all it is a nation with an idealistic, unselfish approach. I suggest that Canada can play a vital part in world affairs today, perhaps just as vital a part as any other nation in the world. These next ten years could be Canada's years in world affairs. This is the great challenge to Canadians, the challenge I should like to place before them this afternoon, and I offer this challenge particularly to those Canadians who from time to time represent the Canadian people in this Parliament.

S/C

STATEMENTS AND SPEECHES



CANADA

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

60/12

Canadian Disarmament Policy

Extracts from a General Statement on Foreign Policy to the House of Commons by Prime Minister Diefenbaker on February 11, 1960.

... What we believe in is that there should be an agreed Western position to serve as a point of departure in the negotiations with the U.S.S.R. in the 10-Power talks which start next month in Geneva, and this is what we are aiming at: to make a contribution by the submission of proposals and comments which will assist in bringing about a plan for international disarmament which will be realistic, negotiable, and at the same time not imperil national security.

... These are views expressed in summary which I think represent the thinking of Canadians as a whole on this matter. First, Canada's policy should be directed to the achievement of maximum disarmament and the reduction of armed forces which can be verified and controlled without endangering the security of the nation against aggression.

Second, whatever is done cannot be achieved overnight and will require to be done by steps or stages. To that end I suggest that immediate consideration and priority might be given to the control of missiles designed to deliver nuclear weapons of mass destruction and also to bring about an agreement whereby the location of missile sites should be designated.

Third, at the conference at Pugwash much was said regarding biological and chemical weapons. I believe the time has come that the nations should agree that the manufacture and use of biological and chemical weapons should be banned.

Fourth, we come to the problem which transcends all these problems, namely that of outer space. If we are to preserve the future of mankind I believe that outer space should now, before further advances are made in its exploration, be declared banned to other than peaceful purposes and that the mounting of armaments on satellites should be outlawed. These are several suggestions that I think represent initial steps, for if there is any desire on the part of the nations to bring about disarmament those principles could be accepted and I think should be accepted.

Now then you say, what about the production of fissile material for weapons? I think that was one of the questions asked. I would think that a major course leading to disarmament would be a declaration that the production of fissile material for weapons should be ended and that existing stocks should be transferred to peaceful uses as soon as a practical plan can be agreed upon. You say, what about the interim? You proceed by stages. What will you do in the meantime? How do you preserve the security of your state?

That brings me to one further step, and it is not a new one. It has been advanced since the 1600's that an international military force should be begun whose capability would be the restraining of nations from aggression. I digress for a moment to answer a statement made this afternoon by one hon. member who was filled with remorse, horror and shock that the government had not placed before the U.S.S.R. its willingness to set aside the Arctic areas of Canada to mutual inspection provided a like right was granted by the U.S.S.R. I first direct the attention of the House to my remarks on August 22, 1958. I do not want to spend long on this but I have to point out the fact that on that occasion I said, as found at page 3944 of Hansard:

"For our part I can give unqualified assurances that to the extent that the control arrangements which may be agreed upon might be applicable to Canadian territory, we are prepared to co-operate in setting up control stations and inspection of the kind outlined in the report of the experts."

Apparently this was not read or, if read, not understood.

"Indeed on more than one occasion Canada has agreed unreservedly to her northern areas and Arctic regions being made available for inspection in order to ensure that surprise attacks will not take place."

These views have been communicated to Mr. Khrushchev on two occasions. The first was on January 18, 1958 when I wrote him and said this:

"I give assurance that in the context of a disarmament agreement the Canadian Government would be willing to open all or part of Canada to aerial and ground inspection on a basis of reciprocity. It seems to me that this is the type of proposal which should prove attractive to both our countries since we are neighbours across the Arctic. I have in mind in particular the kind of proposal Canada joined in sponsoring last August involving a system of inspection in the Arctic regions. We were willing then and are willing now to take such action in order to provide assurance against the fear of surprise attack."

This was turned down by Mr. Khrushchev in a subsequent letter or at least he did not deal with the matter because he said we would have to have it as part of a world agreement. On May 9, 1958, I wrote to him in part as follows:

"If you are really anxious about developments in the Arctic and if you wish to eliminate the possibility of surprise attack across the polar regions, I find it hard to understand why you should cast aside a proposal designed to increase mutual security in that area. Let me repeat here, Mr. Chairman, that we stand by our offer to make available for international inspection or control any part of our territory, in exchange for a comparable concession on your part. I would hope that you would accept some arrangement along these lines not only as an indication of our good faith but as part of a first, experimental step in building a system of international safeguards against surprise attack. When there is, by your own admission, a danger of nuclear war breaking out by accident or miscalculation, it is difficult for Canadians to comprehend your refusal to engage even in technical discussions intended to explore the feasibility of an international system of control."

That was Canada's stand.

... Going on from there, and I hasten to conclude, I think that if the nations really desire to bring about disarmament and peace there is one field that could constitute an initial step, a course alongside one or other of the courses to which I have referred, and that is the acceptance of the jurisdiction of an international court of justice, the predecessor of which was the Permanent Court of International Justice. All through the years the stand that we have taken is that the principle of compulsory arbitration under law among nations would be effectual in the settlement of international disputes.

Of the 85 states that are parties to the statute today, 38 accept compulsory jurisdiction of the court but only 13 do so unconditionally or subject to the condition of reciprocity; nine do so subject to reciprocity or with respect to those disputes which arose after the declaration came into being or when other means of peaceful settlement have been employed by the parties; 16 apply more restrictive reservations. So far as Canada is concerned at the present time she reserves from the jurisdiction of the court only those disputes between members of the Commonwealth of Nations, those arising out of World War II, and those that are of purely a domestic nature, the nature of which is decided upon by the Court.

So far as the Communist states are concerned, none of the Communist states has accepted, nor have they given any indication that they will accept, compulsory jurisdiction. It is of

interest too, that the new states that are arising and coming into existence in Asia and Africa are following the same course. I believe that if we were able, among the nations of the world, with the will to achieve peace, to make stronger and more effective the international court of justice, giving it a compulsory jurisdiction and the right of compulsory decision, many of the problems we face today would be dissolved. There are difficulties in the way.

I think there are 16 members, and naturally nations are not given to trusting the courts that are set up. None the less if we in Canada, the United Kingdom, which has taken a very pronounced step forward in this regard, and the United States, which through the President has indicated that some additional powers should be given to the Court, would lead in this direction I believe that ultimately the judgments of that Court would commend themselves to the wisdom of mankind and we might well make a forward step toward the achievement of peace.

As a further step, I think that international action needs to be taken in respect of outer space. I mentioned that a moment ago. The principle is still in effect that each nation owns all the air above it. This principle was first declared in 1914 and re-declared in 1919. The principle has no efficacy today in this age, when even at the present moment several of these inter-stellar rockets are in circuit around the world. The existent principles of space law are out of date by reason of the scientific breakthroughs. We have gone a very considerable way in Canada in our willingness to bring about the attainment of an agreement on jurisprudence in outer space. The U.S.S.R. and other Communist states refused to participate in the earlier committee. They are participating in the present one. I believe that if we could bring about international jurisdiction over space we would have gone a long way toward the preservation of mankind, not only in this generation but in the future. As a matter of priority we should have a declaration that would seem to be in keeping with reason, a declaration that no part of outer space or any celestial body may be appropriated by or may be subject to the jurisdiction of any particular nation....

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 60/13 ISSUES CONFRONTING THE MODERN WORLD

A speech by Mr. Howard C. Green, Secretary of State for External Affairs, to the Annual Meeting of the Board of Evangelism and Social Service of the United Church of Canada in Toronto, February 26, 1960.

... This evening, of course, I can't go into all the issues confronting the modern world, but I shall endeavour to touch upon some of those subjects which I know to be of special interest to you.

Inevitably our thoughts turn first to the grave problems posed by the rapid development of nuclear weapons and the menace to civilization inherent in their very existence. The search for some satisfactory system of controlling this deadly new force is obviously the most urgent requirement facing statesmen and governments today.

It is not, however, a task which can be tackled in a spirit of despair. I refuse to believe that the human genius which has led to the mastery of the atom is unequal to the far more compelling necessity of controlling and ultimately outlawing its annihilating capability.

Nor is it a problem which we should expect to see solved in one comprehensive conference or agreement. Already the outlines of man's multiple approach to the problem are becoming apparent in a series of related fields: improvement of the state of scientific knowledge of the effects of radiation; prevention of the spread of nuclear weapons to outer space; and the development of an enforceable ban on the testing of such weapons.

In most of these hopeful endeavours -- each of which testifies to the ultimate desire of nations to restore sanity to a world on the brink of disaster -- Canada has been an active participant. In the field of radiation research we can claim to have been in the forefront. The Canadian authorities have long recognized that one of the causes of the deep public concern felt in this country over the development and testing

of nuclear weapons arises from the conflicting assessments of the risks to human health and future generations caused by exposure to radioactive fall-out. Throughout Canada, there has been for some time a well-developed programme of scientific investigation into the effects of nuclear radiation. Canada has been fortunate in having adequate scientific resources to conduct these investigations. But many other countries lack of the necessary resources and satisfactory international standards do not exist which would permit accurate correlation of the results of national studies.

With these considerations in mind, Canada took an important initiative at the last session of the United Nations General Assembly in proposing more intensive studies on a world-wide scale of the effects of nuclear radiation. As its special contribution to those studies, the Canadian Government, as an initial offer, declared its readiness to receive and analyze on a regular basis, samples of air, soil, water and food from 20 to 25 sampling stations in each of these four categories.

I am gratified to say that our initiative was warmly welcomed and unanimously supported by the Assembly and that a number of countries with scientific resources for conducting studies of this nature have followed the Canadian lead in offering to make their facilities available to countries lacking the technical capacity to undertake a sampling programme of their own.

The Canadian effort is being followed up by individual discussions with potential user countries and plans are in hand to extend Canadian scientific facilities to the extent which may be required. Out of this world-wide scheme, we hope to perfect knowledge of the consequences of radio-active exposure to the point where all mankind will be made aware of the exact hazards to which he is already being exposed.

Test Ban Urgent

The problem of radiation would, of course, become far more tractable if the testing of nuclear weapons could be banned. For more than a year now, representatives of the United Kingdom, United States and the Soviet Union have been negotiating in Geneva with a view to drawing up a treaty which would enforce an agreement on the discontinuance of nuclear weapons tests. The opposition of the Canadian Government to any further nuclear tests is a matter of public record. Government spokesmen have returned to this theme time and again, both in the United Nations and elsewhere. Now, there are those who purport to see some incompatibility in the Canadian desire to see an end to testing and our support for the efforts of the United States and United Kingdom to achieve a workable inspection and control system in the Geneva negotiations with the Soviet Union. On the contrary, the Government welcomes the progress which is being made in these

talks because it agrees, of course, that the present voluntary cessation of nuclear testing should be reinforced by a treaty prohibiting such tests. Without such a treaty backed by a system of verification which will ensure that its terms are being observed, nations will continue to live in the fear of a resumption of clandestine testing. But in the meantime, Canada has made it perfectly clear that she believes there should be no more tests, whether by the Russians, the British, the Americans, or the French, or any other people.

If there is need to assess accurately and, if possible, eliminate the risks which have already arisen on the earth and in the atmosphere through the testing of nuclear weapons, there is an equally pressing need to prevent the use of such weapons in outer space, for it is, of course, in this relatively new medium that weapons of the greatest destructive power would be utilized in any future war. Here again Canada is making its contribution through service on a United Nations body, the 24-nation Committee on the Peaceful Uses of Outer Space. We are in the fortunate position of bringing to the work of that Committee the special scientific experience acquired through the work of the National Research Council.

There are two ways of approaching the problem of outer space. One is to develop its peaceful uses through international co-operation, including the establishment of a rule of law designed to secure universal acceptance of the proposition that no part of space or of any celestial body may be appropriated by or subjected to the jurisdiction of any state. The other approach is a natural corollary of the first -- the prohibition of the warlike uses of outer space.

The second approach will clearly fall at some stage within the competence of the ten-nation Disarmament Committee - of which I shall be speaking further in a moment - and there will then need to be some co-ordination of the Ten Power Committee's activities and those of the United Nations Committee on the Peaceful Uses of Outer Space. This United Nations Committee, I might mention, is to meet in New York early in March to arrange the details of a scientific conference to be held this summer. Canada will, of course, be one of the participants.

Ten-Nation Disarmament Body

I have been discussing the efforts being made to bring under international control the most modern weapons and their means of delivery. Any progress in this field is to be welcomed, not only because there is a special urgency to the problem of weapons of mass destruction but also because it will help to maintain the impetus towards general disarmament - the main responsibility for which will fall upon the ten-nation Disarmament Committee which is to begin its work in mid-March. For over a

month the five Western members of that Committee, of which Canada is one, have been engaged in intensive preparations for the forthcoming negotiations.

I am not, of course, at liberty to divulge any of the details of the plans which are being developed for presentation in the ten-power talks. However, I would like to take this opportunity to discuss for a moment the relationship between the new Disarmament Committee and the United Nations, which under the Charter is responsible for developing plans for universal disarmament. I believe it useful to emphasize, particularly because there is some public confusion on this point, that the new ten-nation Disarmament Committee was not established as a United Nations body, although the four-power agreement to set it up has been endorsed by the United Nations. Moreover, the Committee will avail itself of United Nations conference facilities and services in Geneva, the United Nations Secretary General will be represented at the meetings, and the Committee, on the recommendation of the United Nations General Assembly, will consider the United Kingdom and Soviet disarmament proposals made at the last session of the General Assembly. Thus there is a close connection with the United Nations, even though the new Committee was not set up from New York.

It is obvious that the problem of disarmament involves primarily the countries of the Warsaw Pact and the members of NATO. Under these circumstances, it was logical that representatives of these countries should have been given the initial responsibility for dealing with disarmament. The ten-power Committee is balanced between the East and West with five NATO countries and five Warsaw Pact countries represented.

In the light of abortive efforts in the past to make progress towards general disarmament in United Nations groups, which were either so large as to be unwieldy or so unbalanced as between East and West as to frustrate genuine negotiation, there is, I believe, justification for assigning the initial responsibility for a new effort to a small group of balanced composition.

For the time being, its link with the United Nations will be enough to ensure that the concern of the whole membership of the United Nations in disarmament will be kept alive. During this phase, it seems to me that Canada has a special responsibility to keep in mind the interest and anxiety of all member states in the question of disarmament, and Canada intends to bear this in mind.

As progress is made in disarmament it will, I think, become necessary to set up an international disarmament body under the United Nations. At the outset, any disarmament body would almost certainly be preoccupied with the verification and control of agreed measures of disarmament. In the first instance, these control procedures no doubt will have to be in the hands

and under the direction of those powers which agree to adopt such measures, but, at an early stage thereafter, however, there will almost certainly arise a need to bring the control machinery under the authority of the United Nations - which after all, is the body charged with the responsibility for the maintenance of peace and security.

Defences Essential

While Canada attaches the utmost importance to the pressing search for an adequately controlled and verified system of international disarmament, we must not blind ourselves to the fact that Soviet military strength continues to grow and that pending agreement on disarmament the obligation to maintain our own defences remains. I would remind you that Mr. Khrushchov, in announcing the recent cut-backs in Soviet conventional forces, made a point of stressing that over-all Soviet military strength will not be diminished, but will be improved through the introduction of new weapons of all kinds into its forces. The dilemma of our times is when and how and in what circumstances we can safely make the transition from necessary measures of defence to real measures of disarmament.

We should not forget that the major deterrent to aggression in the post-war years has been the collective military strength of the North Atlantic Treaty Organization - a defensive alliance of free nations who seek only to preserve peace and to maintain freedom. There is no doubt in my mind that peace in the world today depends not only on the willingness of both sides to resolve outstanding differences through negotiation but also on the continuing preparedness of the nations of the Western world in the meantime.

In the present situation Canada's policy is clear. There must be no weakening in our support for NATO. The members of that alliance must maintain their collective strength while at the same time being ever-watchful for progress which can lead to an ultimate settlement of differences with the Soviet bloc.

For historical, geographical and other reasons, a policy of neutrality has never been acceptable to the Canadian people. We believe in independence but not in the sense that independence means detachment from the responsibility which we share with other members of the North Atlantic alliance for the maintenance of freedom in the Western world. Canadians have shown by their participation in the cause of freedom in two world wars that they want to stand by their friends. I am confident that their attitude in that respect has not changed. Support for the alliance remains a corner-stone of both our defence and foreign policies. I believe that the alliance continues to provide not only the best possible insurance against aggression but also the most effective political instrument we have yet devised for consultation with like-minded Western nations in respect of the highly important issues which divide the world today.

New Nations

In our preoccupation with the problems posed by the division between the Communist and non-Communist world, we must not lose sight of a development of no less far-reaching implications -- the emergence of a host of former colonial territories as independent nations, each struggling for the material betterment of the standard of life of its citizens. Much of this development is taking place in areas in which Christian missionaries have made such a valuable contribution. Our Commonwealth of Nations has been outstanding for the guidance and leadership given in this field.

It is in Africa that this process is now most significant, with former British territories in the vanguard of those attaining nationhood through peaceful transition. You will have heard it said that 1960 is "Africa's year". The reference, of course, is to the great revolution which has rapidly been gaining momentum in that great continent. You will realize more than most just how extensive and significant is the political change which has taken place there in the last two years. And the end is not yet in sight. Two years ago there were but four independent states south of the Sahara -- Ethiopia, Liberia, the Union of South Africa and Ghana - the latter, launched in 1957, being the first truly African state to assume independence following the colonial period. Ghana's independence was in a sense an African turning point starting a movement which will have far-reaching consequences.

By the end of this year the role of independent states will include such giants as Nigeria, the Congo and probably the Mali Federation. Looking ahead five years, it would perhaps be simpler to list areas where the African will not be in control of his own destiny than to list those where he will.

The African revolution will profoundly affect the world, Canada included. As a nation which endorses the right of all men to be ultimate arbiters of their own destinies, we can only welcome the change. At the same time, we have the greatest respect and admiration for the British, French and Belgians who have done so much to help Africa prepare for the eventual responsible exercise of sovereignty. This they have done through the years at a cost to themselves which few of us have ever stopped to consider. The transfer of sovereignty can be a painful experience unless it is accomplished in an orderly and careful manner. Canada is watching the change with sympathy and the profound hope that in all cases it will be accomplished successfully and peacefully.

In a material way we are extending help to the emerging states. During 1959, for example, 18 Ghanaians were brought to Canada for training and 7 Canadian experts were sent to Ghana. Nigeria sent one trainee to Canada and I fully expect that with the opening of a Canadian mission in Lagos this spring our assistance will be expanded.

To other Commonwealth countries and territories in Africa Canada is providing aid through a programme of general assistance to education and through the Commonwealth Scholarship and Fellowship Plan. That Plan, you will recall, was a Canadian proposal approved at the Commonwealth Education Conference at Oxford last summer which led to the establishment of a scholarship and fellowship exchange programme encompassing in all about 1,000 students from all parts of the Commonwealth. Of this total number, Canada has undertaken to provide for 250, of which a portion will come from Commonwealth countries and territories in Africa. In the general field of education, African members of the Commonwealth indicated at Oxford their pressing need for assistance in teacher training and in the supply of teachers. Canada responded to these needs by undertaking to send out teams of teachers who would train African citizens in teaching techniques and by offering to receive trainees in Canada for the same purpose.

Our programme of assistance to Africa is still new but the Government is very much aware of Africa's needs. We are determined to do whatever we can to assist them.

Far East Relations

In a different context, may I turn for a moment to another area which I know to be of special concern to this audience -- the Far East and, in particular, Japan and China.

Our relations with Japan are excellent - in fact she has proven to be one of our best friends both at the United Nations and in the international arena generally. Recently her Prime Minister, Mr. Kishi, and her Foreign Minister, Mr. Fujiyama, visited Ottawa and the discussions with them were of a most friendly nature.

Japan has made a remarkable recovery since the war and her leaders have shown determination to rebuild their nation as a progressive and forward-looking democracy. In this they are achieving great success and I have no doubt that here again the efforts of Canadian and other missionaries are over the years bearing fruit.

As you know, the situation with regard to Communist China is completely different. This problem is made particularly difficult by the attitude of the Peking Government itself. There is no doubt in my mind of the validity of the proposition that recognition on the part of Canada, unless accompanied by explicit acceptance of Peking's claims to occupy Taiwan (Formosa) would in all probability serve only to bring about a worsening in our relations with Communist China. That is the only interpretation that can be placed on the words of the Communist Chinese Prime Minister, Mr. Chou En-lai, when he said last April:

"Taiwan is an inalienable part of Chinese territory. We are determined to liberate Taiwan, . . . All U.S. armed forces in the Taiwan area must be withdrawn. The Chinese people absolutely will not tolerate any plot to carve up Chinese territory and create two Chinas. In accordance with this principle, any country that desires to establish diplomatic relations with our country must sever so-called diplomatic relations with the Chiang Kai-shek clique..."

I have said that the Canadian Government is not prepared to take any step that would facilitate the Communist occupation of Formosa. The reasons for this are fairly simple. There has been evidence that Peking is willing to use its growing military power against its neighbours in Asia in what it evidently considers to be its national interests. The occupation of Formosa by Communist China would be an important victory in that country's attempt to achieve a dominant military position in Asia.

Finally I turn for a moment to another subject in which this group has played a prominent part -- Canada's role in World Refugee Year. As you know, the Government agreed, as a special contribution to World Refugee Year, to waive certain immigration requirements in order to admit 100 tuberculous refugees and their families for treatment and rehabilitation in Canada - and to pay the costs of transporting these people to Canada, as well as the cost of establishing the families in suitable accommodation and of maintaining them until they were able to support themselves. The Government also undertook to pay for hospitalization costs of the tuberculous cases if these were not borne by provincial governments. As it turned out, most provinces volunteered to accept treatment costs.

Refugee Year Programme

This project will cost the Federal Government several hundred thousand dollars and represents one of the major contributions by governments to the World Refugee Year programme. Aside from the substantial cost involved, it represents an important contribution toward the solution of one of the most tragic aspects of the refugee problem, the rehabilitation of the so-called "hard core" cases. The Canadian project has been hailed by the High Commissioner for Refugees as a humanitarian programme unique in the annals of post-war refugee migration. It represented the first time that tuberculous refugees from the European camps had been admitted by any country outside Western Europe, with full financial responsibility being accepted by the Government. On February 9, to mark the completion of the Canadian programme, I received a telegram from the United Nations High Commissioner for Refugees which read as follows:

"Am pleased to inform you of the remarkable interest which has been aroused generally in Canada's one hundred t.b. refugee family scheme. The successful completion of this scheme which has now provided haven for a total of 344 persons otherwise debarred from emigration overseas under normal criteria marks new achievement in the field of governmental action. Could not let this occasion pass therefore without reaffirming my personal thanks to you for the support you have steadfastly given me in solving the problem of refugees who are my concern."

But I want to remind you that other refugees, in addition to the tuberculous cases, are being admitted to Canada during World Refugee Year. Since it began at the end of last June, Canada has admitted close to 2,000 refugees (including the 344 persons selected under the tuberculous refugee programme). It is my expectation that during 1960 Canada will provide increased opportunities for refugees within its regular immigration programme. In addition it is our hope that a substantial number of handicapped refugee families will be admitted under private sponsorship arrangements. As you know, the Government has broadened the categories of sponsors during World Refugee Year so that voluntary agencies and municipalities may act as sponsors. The Government certainly desires to co-operate fully with the charitable organizations who wish to assist refugee families to begin a new life in Canada.

I have been surprised to see reports in the press and elsewhere which have suggested that Canada may be doing less than other countries in a comparable position to assist refugees. I have seen comments to the effect that during World Refugee Year such other countries have admitted many hundreds of refugees afflicted with tuberculosis. Information which we have received from official sources indicates that these statements do not provide a full appreciation of the situation. The official figures which I have seen indicate that the Canadian effort during World Refugee Year compares favourably with those of other countries. In some cases the figures quoted for other countries covered the last five years or referred to various other categories of handicapped refugees - many of which cost less to rehabilitate than do tuberculous cases. I would point out also that the cost to Canada of accepting a refugee and his family tends to be more, because of high transportation costs, than in the case of the European countries whose contributions have been compared with that of Canada.

In addition to the special contribution for World Refugee Year, Canada in 1959 contributed well over \$2 million in cash and kind to continuing refugee programmes. She was the third largest contributor to the regular programme in 1959 of the United Nations Relief and Works Agency for Palestine Refugees (\$500,000), and the second largest contributor to the regular

programme in 1959 of the High Commissioner for Refugees (\$290,000). In addition, we contributed \$60,000 to the Far Eastern Programme of the Inter-governmental Committee for European Migration - by which refugees of European origin are removed from China to new homes elsewhere. To these same programmes an amount of \$850,000 is pledged for 1960.

Although I believe that Canada's contribution to refugee assistance does not merit the criticism which it has received in certain quarters, I do not wish to give the impression that the Government is not concerned with the need to make special efforts to overcome the refugee problem. I am not in a position this evening to say what the Government may be able to do in future, but I can assure you that we shall do whatever we reasonably can to assist the refugee programmes in attaining their objectives.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

15 1960

No. 60/14

INDUS WATERS SETTLEMENT

A statement to the House of Commons by
Mr. Howard Green, Secretary of State for
External Affairs, on February 29, 1960.

The House will recall that, on July 9 of last year, I announced with respect to the Indus Waters question that the Canadian Government had agreed in principle to participate in the programme that had been drawn up by the International Bank on the understanding that the funds required for this purpose would be provided as part of our increased Colombo Plan contribution. I said on that occasion that I was confident that the House would endorse the Government's view that it was in Canada's interest to help in the solution of a problem which has stood in the way of better relations between two of our Commonwealth partners in Asia.

It is a matter of great satisfaction to me to be able to inform the House that good progress has been made in working toward a solution of the Indus Waters question acceptable to the two states concerned, India and Pakistan. These discussions have now reached the point where the Bank and those countries, including Canada, which joined together to help in reaching a mutually acceptable solution have agreed that an announcement on the Indus settlement should be made today by the International Bank in Washington. The Bank's announcement will give full details of the proposed settlement. Meanwhile I should like to mention the major points briefly.

The Canadian Government, subject to the ratification of a water treaty between India and Pakistan now under negotiation, has agreed to contribute \$22.1 million (Canadian) over the next ten years to the programme for the development of the Indus Waters. Parliament will be requested to approve this grant at the appropriate time.

In addition to the large loan which the Bank has agreed to make, Australia, New Zealand, the United Kingdom, the United States and Germany have all agreed to contribute funds; the United States has offered to provide additional sums through loans, and India and Pakistan will each make substantial contributions.

The proposed development programme provides for the construction of very large works which will divide the waters of the Indus in accordance with the treaty which India and Pakistan are currently negotiating. It is estimated that it will take 10 years to complete this project, which will provide water for irrigation and land reclamation, and important potential hydro-electric power resources, as well as flood control works... .

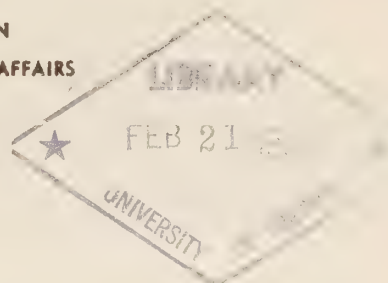
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CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA



No. 60/15

POLICY FOR 1960

A Speech of Mr. Donald Fleming, Minister of Finance, to the Canadian Club of Toronto
January 11, 1960.

... It is inevitable that at the commencement of a new year our thoughts are divided between retrospect and prospect. Today we stand at the threshold not only of a new year but of a new decade. We are prompted on that account to see both 1959 and 1960 in a larger setting. History is continuous. Neither the years nor the decades are detached from each other. This is not the occasion to attempt a review of the decade that has just closed. Indeed, there is no time today for that purpose. All of us will, however, look back on the fifties as a momentous decade in our lives and in the life of our country.

We have good reason to remember 1959 as an important year in Canada's history. When I addressed you a year ago we were concerned with the aftermath of recession, with the strength and pace of recovery, with something of an economic paradox, namely, the co-existence of an abnormal degree of unemployment and an inflationary potential which was giving rise to an exaggerated anxiety psychosis.

Fears Unfounded

In retrospect, it is now apparent that many of the uncertainties and apprehensions of a year ago were unwarranted. The year just ended was one of vigorous and healthy growth for the Canadian economy. In 1958, recession gave way to recovery. In 1959, recovery yielded to the powerful forward thrust to expansion. The past year was not without its financial strains. High interest rates and credit stringency accompanied and reflected the extraordinary acceleration in business activity. Difficult decisions in the fields of fiscal and monetary policy had to be made in the cause of steady, rather than explosive and inflationary, progress. But 1959, I believe, stands on record as a year in which the dominant theme was one of expanding output and employment, with real gains in productivity and more price stability. In this pattern lies the foundation for achieving sound and sustainable economic growth in the future. In contrast to a year ago, our concern today is not with whether we will continue to grow, but with that kind of growth we wish and will have.

The gratifying progress which took place in the Canadian economy in 1959 cannot be divorced from the perspective of certain significant developments outside our borders. The environment of the free world economy, particularly in the industrialized countries, was one of general improvement and expansion. The United Kingdom and Western Europe achieved significant progress to which hard work, self-discipline and financial statesmanship made an impressive contribution. Recovery abroad was characterized by control of inflation, currency stability and a striking improvement in reserve positions which made possible a greater degree of currency convertibility and the removal of most financial discriminations against imports from dollar countries.

The strengthened international financial structure, developments in European trading arrangements, and the improved outlook in the free world economy hold significant implications for Canada, as a trading nation and as a nation chronically short of capital. The world economy today is not only steadily expanding; it is increasingly competitive.

U.S. Economy

Events in the United States have, of course, an important bearing on our Canadian experience. On the whole, the United States economy has displayed great vigour in 1959. Production, income, spending, capital investment and other indices have all exceeded previous peaks. Expansion has been accompanied by certain financial problems in the United States, just as it has in Canada and is beginning to in Europe. But there is no evidence in the United States, just as there is none in Canada, that these developments are interfering with the process of economic growth. The deterioration in the United States balance of payments position, from a short-term viewpoint, has not been altogether unhealthy or unconstructive. Indeed, the flow of gold and dollars to other countries encouraged and underpinned the welcome moves to currency convertibility and the reduction of discrimination. Nevertheless, any long-continued drain on American gold reserves of the degree witnessed in 1959 would raise some serious implications.

The rate of progress was interrupted in the second half of the year by the steel strike which had adverse effects on production and employment. However, it is reassuring to find the consensus among qualified observers in the United States is that economic expansion there has already resumed and that 1960 will be a year of substantial further growth.

The recovery in Canada, which began in mid-1958, moved forward strongly throughout 1959. Gross National Product, seasonally adjusted, reached an annual level of \$34,724 million in the third quarter of 1959, a new and impressive record for the most comprehensive indicator of business activity. Economic growth has been measured largely in the real terms of productivity and a sound dollar. If the economy paused briefly in the third quarter partly in response to the uncertainties engendered by the steel strike, it

appears to have resumed its upward momentum in the months since. In my Budget Speech on April 9 last, I forecast that the G.N.P. would increase in 1959 as a whole by 7 per cent over the previous year. I see no reason to doubt that this result will have been achieved. In shaping the quality of this growth, I think it fair to say that fiscal adjustments to the circumstances of an expanding economy and the restraint of federal demands upon the capital market for new money played a vital part. Certainly in the choices we made in the Budget we did not impede or hamper the forces of expansion. As we face 1960 those forces continue strong.

A Prosperous Year

In brief, therefore, 1959 was a good year for Canada. It was a year of growing confidence, rising employment and recovery moving into a broad expansion -- moving, indeed, to such an extent that it brought financial strains with it. Internationally, it will be remembered as a year of relaxation of tension when talks replaced threats. It will also be remembered as a year of tremendous economic recovery in Western Europe and Japan and consequent sharpening of competition.

I have been speaking of the fifties as a momentous decade. The 1960 scene opens in Canada on an economy which is much more mature and more developed than that of 1950. We cannot, however, spend long in contemplation of the past. We cannot relive it, we cannot undo it. We contemplate it in order to derive instruction from its successes and failures, to profit from the lessons to be learned from it.

During the decade just ended, Canada has enjoyed substantial growth. Gross National Product has almost doubled from \$18 billion in 1950 to nearly \$35 billion in 1959. However, to a considerable degree this progress has been associated with unstable elements in the economy, over a quarter of the gain has been consumed by price increases, and the lustre of our prosperity has been somewhat tarnished by two recessionary cycles. Too often we have been tempted to pursue too rapid a rate of growth with too little regard for the inevitable consequences and inequities.

A New Decade

For the Canadian economy, the new decade of the sixties opens in an expansionary phase, one that gives promise of being more securely founded in terms of demand, resources and productivity. 1960 offers the prospect of continued sustainable growth provided we are prepared to pay heed to the lessons of the fifties. New elements bid fair to come forward to lift the economy to new heights, chief among them export demand and capital investment.

The level of Canadian exports is rising. The international economic climate is expansive, many of the war-born impediments to trade are vanishing, and the rising reliance in the United States and other major countries of the free world upon external suppliers of industrial materials holds important potential for Canadian exports so long as they can remain competitive.

Private surveys of capital investment intentions suggest that the plans of the business community for 1960 contemplate an accelerated rate of investment in the commercial and industrial sector of the economy. While there may be some reduction in residential construction, increases in investment in plant and equipment are likely to more than offset them and in the aggregate there seems to be a clear indication that total investment, both private and public, will reach new records in the coming year.

The continued increase in exports and capital outlays suggests that 1960 will be a year of rising output and employment which will see a more efficient and fuller use of the productive resources of the economy than 1959. Correspondingly, it can be expected that the trends of income and consumption will continue to move upward with output and employment.

In summary, it would appear that a production increase of substantial magnitude can occur in 1960 without placing excessive pressure on plant and man-power capacities.

There are the prospects. These are the potential of the Canadian economy. The promise of further enlargement of national production, incomes and employment should not, however, blind us to the fact that continuous progress throughout this year and beyond it is not inevitable. We cannot assume the assurance of a higher national income year after year unless we take steps to ensure that the expansion is orderly and balanced. There have been years, even in the postwar period, when the real rate of growth in Canada was considerably less than the economy was capable of achieving. If we are to have continuous and sustained improvement in production, and thus in our standard of living, we must employ all the collective intelligence and discipline which we possess to prevent unnecessary interruptions in the progress of the economy.

One thing has been made abundantly clear in the past decade. It is that the Canadian people are firmly determined to preserve the system of free enterprise. It is under that system that the prosperity and growth of this country have been achieved. It is that system which provides the maximum of security, combined with freedom and opportunity. It is not the perfect system, it is just the best system. Its corollary is that governments should not attempt to do for people what they can better do for themselves.

Three Dangers

In harmony with the note which I have sounded that interrupted progress for the indefinite future is not inevitable, I discern three dangers confronting the Canadian economy, namely, instability, inflation, and high costs. Each of these dangers is related to the other two.

We are so dependent upon foreign trade, and so closely linked in many ways with the fortunes of the United States and our other trading partners that we are bound to be affected, for good or ill, by the swings of economic activity originating outside our own borders. Then, too, in a dynamic economy such as ours, technological changes, variations in demand at home and abroad for particular goods and services, and errors in judgment on the part of those whose business it is to try to anticipate these changing demands, all serve to produce fluctuations in economic activity from year to year, and sometimes to interrupt our progress.

But the kind of instability that we have to fight against is a more serious one. I refer to the instability which arises when a condition of greatly increased demand develops over a wide area of the economy, usually based upon the use of credit, and which threatens to outrun the productive capacity of the economy. This is the kind of situation which causes inflation and recession. It was present to a considerable degree in North America in 1955 and 1956 and in fact is a condition which can easily develop in a dynamic economy, particularly if prices and costs are rising, or if it is widely believed that costs and prices are likely to rise. As we know from experience, if these conditions are allowed to develop it is usually impossible to apply the brakes without bringing about economic dislocation and recession, with all that this means in terms of wasted resources and unemployment.

The fact is that a condition of steadily-rising price-levels is not conducive to sustaining the growth of the economy. It is a dangerous temporary stimulant, and no more. We have seen that the very impressive expansion of production and living standards which the countries of Western Europe have begun to achieve in the last few years was not able to gather momentum until they had achieved price and currency stability.

The lesson we should draw from experience is that in a period of economic expansion such as we are now enjoying in Canada we must all avoid doing those things which are likely to encourage a forced or excessive growth in spending. If we fail to act in this way we will be faced with the distortions and instabilities which cause economic recessions. We all know that if an upsurge in the total spending in a country proceeds too rapidly, and in too many directions, in too short a time, prices and costs are bound to be pushed up. In such a situation those who speculate, or who can operate on the basis of increased borrowings, tend to be rewarded, while normal business suffers. All too often, we find that the economy has accumulated swollen inventories and built more plant capacity than we need for the time being. So production is curtailed, or shut down, workers are dropped from the payroll, and almost every other business finds it necessary to go slowly for a year or two. If price inflation becomes very marked, or continues for very long, confidence in the value of fixed interest-bearing securities is likely to be undermined, thereby discouraging saving. When this happens the more productive and dependable forms of enterprise was unable to obtain capital and the whole economy is weakened.

Wide economic fluctuations, whether upward or downward, produce very harmful effects. We must seek to spare Canada the experience of "boom--bust". Excessive fluctuations create fear and disturb confidence in the future.

Inflation has accompanied economic growth in Canada in the postwar period. This has given rise to an erroneous belief in the minds of some that a measure of inflation is necessary to stimulate growth. This is a fallacy of the deepest dye. Growth in this postwar period has been achieved in spite of and not in consequence of the measure of inflation which has accompanied it. I believe that inflation is an evil in any of its forms. I believe also that it cannot be overcome by governments alone. It will be vanquished only by the efforts of all.

Buyers' Market

I have spoken of the first two of the dangers which confront us, namely, instability and inflation. The third is very closely related to them. It is the danger of rising costs. Canada cannot insulate its economy from the rest of the world. We are the fifth trading nation of the world. Twenty per cent of our national production is disposed of in external markets. We must be aware that we have moved into a period of the keenest international trading competition. This is the inevitable consequence of the sweeping economic recovery of Europe and the enlargement of the resources of Asia. The Communist bloc, with the possibility of dumping of goods in international markets without regard to the cost of production, confronts us with a new and disturbing form of competition. The scarcity of goods in the earlier postwar years has disappeared. The sellers' market is a thing of the past. The buyers' market is here and is likely to continue as far as one can see.

Trading associations are taking form in Western Europe, in countries which today absorb \$1.25 billion worth of our exports per annum. We must be alert to resist the possibility of new discriminations arising in that quarter.

In the light of all of these circumstances, the warning to Canadian producers is clear: keep your costs down, or you will price yourselves out of world markets. At the same time you may price yourselves out of Canadian markets. All Canadians, whether directly engaged in production or not, have a direct interest in preventing the loss of markets through high costs of production.

Particularly at this juncture it is to be hoped that Canadians will enjoy industrial peace and co-operation. In the face of developments abroad, this is a time to avoid the supreme folly and waste of resources in industrial strife and work stoppages.

Policy During Expansion

This review of the bright prospects for 1960 and the lurking dangers which are inseparable from it leads me to ask what are the appropriate economic policies for the year which lies ahead of us? What useful part can Government fiscal policy play in the development of the economy? How may it be employed to make the fullest use of the enterprise of all Canadians for the good of all, to promote stability in the economy, to resist the perils of inflation and to help the competitive position of Canadian producers in world markets?

Admittedly public policies have their limitations. Government's are not omnipotent. Although they are expected to do much, they cannot do everything. In a free society where the laws of supply and demand are still the most dominant of all economic forces, how may fiscal policy be employed to aid in achieving the accepted economic goals of that society?

The experience of the last two and a half years has taught us that in a period when economic conditions are changing rapidly fiscal policy must be flexible. It must be adapted as far as possible to changing conditions. It is not easy to alter fiscal policy to keep fully abreast of conditions when they are undergoing rapid or frequent change. So much of government fiscal policy must express itself annually in the Budget measures. Adaptations between budgets are not possible on a large scale. This fact adds to the importance and responsibility of the Budget and the accuracy of the economic forecasts on which it is based.

In the last several years we have seen practically every kind of economic trend expressed in the Canadian economy. It has been necessary to adapt fiscal policy from time to time accordingly. The policy which guided the Budget of 1959 was not the same as that which governed the Budget of 1958. The conditions of 1960 are different from those of either 1958 or 1959. What then is the sound fiscal policy to meet the conditions of 1960?

Why Deficits?

I have on other occasions in recent months reviewed the sound reasons why we deliberately budgeted in 1958 for a substantial deficit and in 1959 for a reduced deficit. Each of these programmes was adapted to the circumstances then confronting us. Two years ago we were meeting the problems of a recession then at its low point, and were seeking to use fiscal measures to offset the decline in business activity and to stimulate recovery. We gave strong support to new housing construction; we increased substantially our own direct expenditures on capital projects; we reduced our own resources to increase those of the provinces and municipalities; we sustained and enlarged the general purchasing power of the Canadian public both by tax reductions and increases in pensions and other welfare payments.

One year ago we were budgeting for a period of recovery. Our problem was to strike a balance. It was not yet a time for a severe application of fiscal restraint, but the situation did require a reduction in the stimulus which government fiscal policies had injected into the economic stream. We took a firm course designed to ward off the perils of inflation and to preserve the purchasing power of the Canadian dollar without retarding the forces of recovery.

In 1960 we have neither recession nor incipient recovery. We are in the midst of a period of marked expansion in the Canadian economy. We welcome it, but we do not wish to see it mushroom into a boom which would set loose the forces in inflation. What we must all desire is orderly growth without inflation. That must be the goal of policy in this year of expansion 1960.

To this end our aim, as I have stated in recent utterances, will be to avoid expenditures that are not strictly necessary now and to bring government revenues and expenditures into better balance. In this way we are deliberately seeking to assist the provinces, municipalities and business in meeting their borrowing problems by restricting our own federal borrowing operations.

There is always a high degree of interest on the part of the public and in the press at this season of the year as to the trend and volume of government expenditure in the coming year. That interest seems to be particularly evident this year. Some people speak as though it were a simple and easy matter for the Government to make sweeping slashes in expenditure. Let me assure you that it is not.

It is well to remember that the Government's responsibilities do not remain static from year to year. Increases in population necessitate higher expenditures and providing government services at the same level. The cost of most of our social security programmes is on a per capita basis, rising automatically with population increases, which have been averaging 400,000 per annum. Much of the annual expenditure is already of a statutory nature, thus vastly reducing the area of expenditure which is subject to the pruning handiwork of the Treasury Board. Moreover, there are elements of government expenditure which are related directly to the growth of the national income. Furthermore, we are spending more government money on research, as we should. Our payments, both conditional and unconditional, to the provinces under existing programmes are bound to rise substantially in the coming year. Hopeful as we are for agreed disarmament, it has not yet arrived, and in the meantime the cost of modern arms and equipment for our defence forces is constantly rising. ...

Let me add that I believe very simply that governments must practise what they preach to their people. They must set their faces against waste and search tirelessly for efficiency.

Borrowing, Debt and Interest

The fiscal measures which were taken in 1958 and 1959 were accompanied by far-reaching measures of debt management. I have pointed out on previous occasions that good debt management is essential to the maintenance of the purchasing power of the Canadian dollar and the achievement of sustained national development. It is at the very heart of national thrift and is vital to the realization of the economic goals of a free and competitive society.

The great conversion loan of 1958 achieved an unprecedented success. It proved to be a major anti-inflationary step. It removed a source of heavy pressure on the bond market and by nearly doubling the average length of our debt it enabled us to develop and carry forward a sound debt management policy. It has greatly contributed to the stable growth of the economy in the year just ended.

As the Governor of the Bank of Canada pointed out in a speech on November 16th: "The value of the conversion loan should not be under-estimated. It was the most important single factor in the changed circumstances which made it possible for the net financing requirements of the Government to be raised entirely from non-bank investors after September 1958, and therefore made it possible for monetary expansion to cease and comparative stability to be maintained for a considerable period thereafter".

In the fiscal year which ended March 31st, 1959, the Federal Government borrowed \$1,296 million of new money in the market. As I forecast in my Budget, in the present fiscal year new money requirements should be reduced to some \$850 million and if account is taken of the decision of the CNR to repay to the Government the proceeds of its public issue of last month, the Federal Government's requirements for new funds will be reduced by a further \$300 million. In short, our new market borrowings for the fiscal year ending March 31st, 1960, will be about one-half of our requirements of 1959. Moreover, our new market borrowings in the current fiscal year have all been raised from the savings of the general public, as the Governor noted, and therefore in a non-inflationary manner.

In the last four months the bond market has been stabilized and strengthened and there has been a notable return of confidence. Interest rates, it is true, have been high, but these rates have served to attract investors. The Government's bond offering in September and the CNR bond offering in December were both heavily over-subscribed. The recent 14th Canada Savings Bond campaign attracted the highest volume of subscriptions ever attained in a savings bond campaign -- over \$1.4 billion. I am not suggesting that there are no problems in the market, but I draw attention to the solid and constructive improvement evident since September.

Bond Purchases

The return of public confidence has been striking. The public's willingness to purchase government bonds is in the last analysis the best test of its confidence. In 1955 the general public's holdings of Government of Canada securities were about \$9 billion; by mid-1958 they had fallen to less than \$8 billion. Today the public's holdings of our bonds exceed \$10.75 billion, an increase of \$2.75 billion in fifteen months. In other words, in fifteen months the public's holdings in Canada Bonds have risen by 35 per cent. Moreover, the public has in the same period increased its holdings of other Canadian securities, whether provincial, municipal or corporate by another billion dollars. This increase is in part a reflection of the more attractive interest rates prevailing, but it also demonstrates unmistakably the growing public confidence in the Government's determination to resist inflationary pressures and to defend the value of our national currency.

The return of confidence in the bond market enabled the chartered banks to finance the enormous demand for commercial credit by the sale of their holdings of Canada Bonds in exchange for new savings of the public. Accordingly they disposed of over \$1 billion of Government of Canada Bonds to meet commercial credit requirements which during the first nine months of last year rose by 25 per cent and have remained at a level about 15 per cent higher during the last three months. The extraordinary demand for bank credit arising out of expansion, the heavy selling of government bonds by the banks and the increase in net new borrowings through the sale of securities combined to exert a strong upward pressure on the structure of interest rates in 1959. This was not just a Canadian phenomenon; the United States experienced a similar pressure on credit and a corresponding rise in interest rates.

As we all know, the demand for capital associated with expansion, together with the reluctance of many borrowers to utilize the capital market, placed a heavy strain on the resources of the banking system and in the spring and summer of last year the banks, acting on their own responsibility, were obliged to impose credit restrictions.

The restraints imposed by the chartered banks on the growth of overall total bank credits and their more selective policy of lending appears to have brought about a more orderly situation within the banking system. In the last three months, for various reasons, the banks have not been fully utilizing the funds available to them as a result of their reduced lending activity, and thus both their cash reserves and their overall liquid position have been maintained at levels well above the required ratio.

One consequence of these policies on the part of the banks has been to enable them to re-enter the market as purchasers of government issues. As a result the pressures on the market for short-term bonds and treasury bills have diminished. Interest rates

have tended to level off and both of these circumstances have contributed to stability. There is also some reason to hope that the effects of the lending policies of the chartered banks will be to persuade those companies and other bodies able to finance themselves in the capital market to turn to this source of credit for funds for capital expansion. In this respect I wish to commend those corporations which in recent months have been prepared to face the capital market with realism. To the extent that the trend towards a greater use of the capital market develops, more credit should be made available to smaller borrowers within the banking system.

Credit Restrictions

In speaking of the improvement in the technical position in relation to bank credit I should not wish to leave the implication that every borrower is receiving all the credit he seeks. Credit restrictions continue to impose difficulties for certain sections of the economy although there is no evidence that from the overall viewpoint they are interfering with the process of growth. The banks are continuing to be selective in the allocation of credit even though their capacity for lending has improved. Nor can we expect any sharp reversal in this situation. If the industrial and commercial expansion takes the forward surge in the spring and summer of this year that seems likely, it would be only reasonable to expect a recurrence of intense demand for bank credit.

It is clear that expansion places heavy demands upon our capital resources which are not unlimited. It would be unrealistic to assume that changes in the allocation of bank credit or greater use of the long-term capital market by business corporations would make capital as plentiful and interest rates as modest as they tend to be when the economy is not expanding. Let me add one final observation on the subject of interest rates. There are those who contend that a measure of inflation would today bring about a reduction in interest rates. This is another fallacy of the deepest dye. Inflation would tend to decrease total savings and to divert them away from bonds and other forms of investment. The inevitable result of inflation is to force interest rates still higher.

Today there is keen competition in the market place by federal, provincial and municipal governments and business for the not unlimited supply of capital available there. In this situation, the Federal Government can best contribute to facilitating the necessary financial operations of other borrowers by confining its own borrowings to the essential minimum, and that is what the Federal Government is doing. We are seeking deliberately to bring our revenues and expenditures into closer balance in order that we may not find it necessary to make new borrowings. As a consequence, I think that with the continued rise of the levels of income, employment and production, we may look forward to a further substantial improvement in our overall cash requirements. And thus we may hope that the market will be more and more left to the provincial and municipal governments and business.

In this connection it is our expectation that the increase in the ceiling on the interest on loans under the National Housing Act from 6 to 6.75 per cent will result in a re-entry of the approved lending institutions on a considerable scale into the mortgage field under the National Housing Act. This will both support house-building activity in Canada and relieve pressure on government financing,

Canadian Dollar Premium

The current high premium on the Canadian dollar has given rise to further questions recently. I have dealt with this subject previously, but perhaps a more extended reference to the subject today is warranted. Let me stress at the outset that responsibility for exchange policy rests solely with the Government. The Bank of Canada in this regard acts only as the Government's agent.

In 1950 Canada stopped pegging the rate of exchange of the Canadian dollar and in 1951 abandoned foreign-exchange control. From that time to this the value of the Canadian dollar in relation to the United States dollar and other currencies has been determined not by the Government but by the forces of supply and demand operating in a free market. Since 1952 the Canadian dollar has been ruling at a premium in terms of the United States dollar. At first this was a matter for pride on the part of Canadians. It has for some time been and is a matter for concern. The premium has fluctuated, rising to 6.25 cents in 1957. Currently it is under 5 per cent. It adds to the difficulties of our exporters and our gold-mining industry; it has the effect of reducing tariff protection for Canadian producers and expanding our imports by making them cheaper.

It is regrettable that there is an element of misunderstanding prevalent as to the premium and its causes. This is illustrated in demands made from time to time for what is called "restoration of parity" between the United States dollar and the Canadian dollar.

No Reason for Parity

Permit me to observe in the first place that there is no existing reason why there should be parity between them. Each dollar is a form of managed currency, and the management of the two currencies is in different hands. The fact that they happen to bear the same name constitutes no reason for any precise equality between them.

In the second place, the exchange rate of the Canadian dollar is determined in an absolutely free market. Its value is not arbitrarily fixed by the Government but results from the free play of economic forces, that is to say, the laws of supply and demand.

Why is the Canadian dollar ruling at a premium in terms of the United States dollar? Let us examine this question in simple terms. Whenever anyone, whether in Canada or the United States or any other country seeks to buy United States dollars with Canadian dollars he is helping to create a demand for United States dollars. This demand arises from our merchandise imports, from our tourist expenditures abroad, from transfers of interest and dividends, from purchases of securities and other assets. Similarly anyone seeking to buy Canadian dollars with United States dollars or other foreign exchange is creating a demand for Canadian dollars. This demand for Canadian dollars arises from our merchandise exports, from foreign tourist expenditures in Canada, from foreign purchases of Canadian securities and from a whole host of other transfers of funds from foreign countries to Canada. Basically the exchange rate for the Canadian dollar is determined by the variations in the demand for Canadian dollars on the foreign exchange market and the supply of Canadian dollars on that market resulting from the millions of individual transactions of the type I have described. The effect of Canada's very large deficit in its commodity trade and other current account transactions tends to raise the value of the United States dollar in relation to the Canadian dollar. Indeed, the larger the trade deficit the stronger is the upward pressure on the United States dollar as compared with the Canadian.

But other things are not equal or static. Many persons in the United States and other countries abroad are choosing to invest in Canada. In order to make their investments they must purchase Canadian dollars with United States dollars or other foreign exchange. This creates a demand for Canadian dollars and an upward pressure on the value of the Canadian dollar in relation to the United States dollar. The volume of demand by holders of United States dollars and other foreign exchange for Canadian dollars for investment and other purposes has tended to outrun the volume of demand for foreign exchange for settlement of trade deficits and other purposes. The consequence is the substantial premium on the Canadian dollar.

In the net result the premium is a result of the operation of the forces of supply and demand in a free market. Our dollar has a higher value than the United States dollar because holders of so many United States dollars wish to exchange them for Canadian dollars, particularly for investment in Canada, and they wish to invest in Canada because they have confidence in our country and its financial soundness and are attracted by the returns paid on capital in Canada, for ours is a country chronically short of capital.

The next question that is asked, and properly, is cannot the Canadian Government intervene to eliminate or reduce the present premium? The answer is - "yes, but".

In the first place, the Canadian Government could take steps to shut out or discourage capital from abroad or it could follow policies that would disturb external confidence in Canada and its financial soundness. It could, for example, follow inflationary policies. Would anyone advocate this?

In the second place, it could take steps to increase the deficit in our commodity trade with the United States. I have heard no support for such a proposal.

In the third place, it could ask Parliament to reimpose foreign exchange control as in wartime, and thus prevent purchases and sales by Canadians or United States dollars except under permit. It could, for example, refuse to grant licenses for the import of capital or certain types of capital. This course of action would, however, not be consistent with the desire of Canadians, which is shared by free peoples generally, to move away from controls of this kind as their economic strength grows.

Cost of Enforced Parity

In the fourth place, the Government could employ Canadian dollars belonging to the people of Canada to buy and hold United States dollars in order to create an artificially high value for the United States dollar expressed in terms of the Canadian dollar. No one knows how many Canadian dollars would be required. But it would be a huge sum. It would be necessary to raise the money by increased borrowing or taxation. If the two currencies were brought to a quoted equality at any given moment as the result of such artificial measures they could not be expected of their own accord to continue in that equal relationship. No one knows how many more dollars would be required to maintain equality between them. The Minister of Finance would be placed in the position of taxing the Canadian people or borrowing on the market to provide Canadian dollars which he would then convert into huge holdings in United States dollars. This is not a use of the money of the Canadian taxpayers which I would be prepared to recommend to my colleagues.

In the Exchange Fund today the Minister of Finance holds approximately \$1.9 billion -- about half in gold and half in United States notes and treasury bills. This Fund has for years been employed merely to eliminate wide fluctuations in exchange quotations in the two currencies from day to day, not to influence the long-term trend in exchange rates. The sums required for this modest purpose leave no doubt as to the huge sums which would be required to raise the United States dollar today to equality with the Canadian dollar and to hold it there indefinitely artificially.

In the fifth place, it has been suggested that the Canadian Government could reduce or eliminate the premium on the Canadian dollar by increasing the price it pays for gold. The price the Government pays for gold is now determined by taking the world price of gold, namely \$35(U.S.) an ounce and converting this into Canadian dollars at the current rate of exchange. Let us consider for a moment the consequences of an artificial increase in the price paid by the Government of Canada for gold. If a higher price were paid only to Canadian gold producers, this would have no immediate consequences on the exchange rate for the Canadian dollar. It would in effect be an increase in the subsidy on gold production over that which Parliament has authorized through the Emergency Gold Mining Assistance Act. To limit the payment

of the increased price to Canadian-produced gold it would, of course, be necessary to prohibit the import of gold from outside Canada. However, if it is desired to influence the exchange rate by arbitrarily raising the price we pay for gold, then we must be prepared to pay the higher price to foreign gold. By offering a higher price in Canadian dollar terms than gold was really worth at the current exchange rate, we would certainly attract gold from the four corners of the earth. Anyone holding gold which he wanted to convert into United States dollars would sell it to us at the artificially high price and convert the Canadian dollar proceeds into United States dollars. This process would, of course, soon result in a fall in the value of the Canadian dollar to the level determined by the relationship between the arbitrarily fixed price of gold in Canada and the world price of \$35 an ounce. In other words this proposal turns out, on analysis, to be a proposal that the Government of Canada should arbitrarily determine what the exchange rate should be from day to day or week to week by fixing the price it is prepared to pay for gold and standing ready to buy unlimited quantities of gold at that price. The Government does not seek any such arbitrary power. And I point out, moreover, that the procedure suggested would require us to use Canadian dollars raised from the Canadian people by taxation or by new borrowing for the purpose of adding to our reserves of gold.

These are five courses that are open to the Government. Notwithstanding long personal study of the problem I know of no others. I dislike the present high premium and I am well aware of the losses that it causes for some business interests. But I have been forced, reluctantly, to the conclusion that the disadvantages of the alternatives open to us outweigh the disadvantages of the premium.

It follows from the description I have given of the factors operating in the exchange market that borrowings in the United States by provincial and municipal governments and business have the effect of raising the premium. The sums they raise in United States dollars must be converted into Canadian dollars for use in Canada.

I may add that the premier of one province, which depends to a large extent on exports of its raw materials, recently asked the Federal Government to wave a magic wand and eliminate the premium on the Canadian dollar. I informed him that, as Minister of Finance, I am already holding about \$1 billion United States dollars. He offered to buy them from me. When I asked at what price he immediately stipulated for a 10 per cent discount on the United States dollar. Consistency, what a gem thou art! I declined to take responsibility for driving up the premium on the Canadian dollar by accepting his terms.

The course of the exchange rate in the future will depend, as in the past, on the behaviour of the inward and outward movement of capital as well as on the course of our commodity service imports and exports. It will be symptomatic of internal and external condition

affecting the Canadian economy. It is not, therefore, something which is susceptible to restriction or control by the Government, short of the complete and direct kind of control which was applied in wartime. The exchange value of the Canadian dollar would certainly be much lower than it is today if external investors lost confidence in the future of the economy, or if Canada were thought to be on the road to inflation, or if our exports were to lose ground in competing for markets abroad, or if our domestic manufacturers became unable to meet the normal competition of imports. I hope the Canadian dollar will never lose any of its exchange value for these reasons.

Foreign Capital Investment

Foreign capital investment in Canada is, as I have indicated, responsible for the existing high premium on the Canadian dollar. It also gives some Canadians concern over the extent of foreign ownership and control of Canadian resources and industry or, alternatively, the extent of Canadian indebtedness to foreign countries.

Capital inflow into Canada in 1959 has undoubtedly again exceeded \$1 billion, and 80 per cent of it came from the United States.

Beyond question the rapid development of our resources has been greatly aided by investment of capital from abroad. Until Canada generates far more capital than at present it will continue to need capital from abroad, unless we were prepared to be content with a much slower rate of development of our resources. The Canadian Government will continue to maintain a climate hospitable to investment of capital from abroad.

Most countries of the world today are suffering from a shortage of capital. Canada has always been an importer of capital. It is by far the largest importer of capital in all the world. Our Canadian economy has been absorbing capital on a scale rarely matched in the world's history. Gross public and private investment has been maintained at 26 per cent of Gross National Product, compared with approximately 18 per cent in the United States. Canadian domestic saving, including provision for depreciation, has been running at over 20 per cent of Gross National Product. This saving rate is higher than that in the United States and many other countries. If the Canadian economy is to continue to absorb capital on the same scale we must have either a still higher rate of domestic saving or a continued high rate of importation of capital.

Home-made Capital Needed

It therefore behoves us to endeavour to the utmost of our power to generate capital within Canada. That means that we shall need more saving by Canadians and the marshalling of their savings into capital and the wise investment thereof in Canada. The policies of government will continue to be designed to encourage the creation of more Canadian capital as the key to some of our most pressing national problems.

The suggestion for increased saving on the part of individuals is based not only on the greater security which saving brings to the persons or families concerned, but on the contribution that saving makes to the growth of our country. As such, it will provide the capital that our industry needs and thus help to increase our productivity and our standards of living in the years ahead. As such, increased saving will lessen the need for foreign borrowing and enable Canadian industry to expand with capital funds contributed by Canadians themselves.

It should not be forgotten that an increase in savings is likely to lead to a greater flow of funds, in one way or another, into new capital investment in Canada. We have had a great improvement in the machinery for collecting and distributing loanable funds in this country over the last few decades and our capital markets are becoming more unified, more inter-related. As a result the temporary or more permanent savings of individuals, private businesses and corporations (not to speak of governments and other public bodies) are easily and quickly made available for capital investment and other similar purposes. The millions of Canadians who put aside their savings in the form of bank accounts, insurance policies, pension funds and the like are contributing in this way to the growth of Canada. The further encouragement of this practice should occupy a high position on our list of priorities.

This country owes much in its history and development to the virtues of thrift and hard work. It is the duty of the Government to assist in the cultivation of the habit of saving. Those who practise thrift are entitled to the reward of the protection of their savings against the ravages of inflation. I shall continue to do all that lies within my power as Minister of Finance to encourage and protect the savings of the people, however small.

People must have confidence in their currency. If they lose that confidence, they will in self-defence either consume their savings or turn to unreasoning speculation.

Conclusion

We stand at the threshold not only of a new year but of a new decade as well. In this decade Canada will attain her one hundredth birthday. Those of us who live to celebrate that historic event will, if the world is given peace, look with pride upon a greater Canada, more developed, more mature, more populous by far than the Canada of 1959. We are privileged to participate in the building of the greater Canada of that bright future. We may be thankful that the days of Canada's building are not only of the past.

1960 should be a year of new growth in almost all sectors of the Canadian economy. If Canadians can hold production costs in line and demonstrate renewed efficiency as producers and salesmen, and if they are prepared to take the self-denying measures needed to resist the lurking dangers of inflation, the present period of

expansion could carry the Canadian economy far beyond the high watermarks heretofore attained. With wisdom, courage, self-discipline, self-reliance and forbearance, we can, if given peace, look forward to an era of sustained growth outstripping that of any comparable nation of the world. The message which I should like to convey to Canadians at the threshold of this new year and decade, therefore, is a challenge in simple terms: "Work and Save".

S/A



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

60/16

NATO AT ISTANBUL

A statement by Mr. Howard Green, Secretary of State for External Affairs on May 9 to the House of Commons

... I thought it might be helpful if I were to make a brief report to the House concerning my visit to Istanbul. As Hon. Members are probably aware, there were two meetings held there, one a week ago yesterday.

The first was a meeting of the foreign ministers representing the five Western countries which are members of the ten-nation Disarmament Committee. The purpose of this first meeting was to prepare advice for the three Western heads of government who are to participate in the summit meetings commencing on May 16 in so far as the question of disarmament is concerned; also to consider what progress had been made in the Disarmament Committee itself and what suggestions should be made to the negotiators acting on behalf of the five Western powers, and finally to prepare a report on disarmament to the NATO Council which was to meet during the succeeding three days.

We took General Burns with us to Istanbul because, of course, our main interest there was the question of disarmament, and as you know he is heading the Canadian delegation on this important work. The progress that has been made to date by the Disarmament Committee has not been very satisfactory. The Canadian Government is anxious that there should be a great deal more done when the Committee resumes its sittings early next month.

At this first meeting I urged upon the other four Western foreign ministers that everything possible must be done to get these negotiations moving; that it was very important to demonstrate to the five Eastern nations on this ten-member Committee and also to all other nations of the world that the West is very serious in its attempt to bring about a disarmament agreement.

We made several suggestions which perhaps would be of interest to the House. One was that the summit meeting should give direction to the ten-member Committee, that instead of

discussing further the general issues they should commence to discuss specific measures of disarmament. Mind you, that would mean that these directions would come from President Eisenhower, Prime Minister Macmillan, President de Gaulle and Premier Khrushchov. We had in mind that a joint declaration of recommendation, whatever you wish to call it, should be made to the disarmament negotiators.

Also we suggested that an attempt might very well be made to work out package deals; that is, take one measure of disarmament in which the West was interested and one of equivalent importance in which the East was interested and try to make a package deal with regard to these two particular aspects of disarmament. For example, the West might offer to negotiate a controlled limitation on force levels and related conventional armaments if the Soviet side would agree to negotiate on the nuclear disarmament measures in stages one and two of the Western plan.

We believe this is a practical way to get things moving, and if package deals of that kind could be made in several instances the first thing we would know there would be a worth-while disarmament agreement.

Then we also suggested that when the Disarmament Committee meets again there should be certain informal off-the-record meetings of the negotiators. To date they have been having formal meetings, records are kept, and then, after a matter of a few weeks, the whole record is published, which means, as I am sure all Parliamentarians will understand, that there is a great deal of talking for the record. We think it would be very useful if the negotiators could get into a huddle from time to time and really try to work out something among themselves. We do not say there should be no more formal meetings, but we think a mixture of formal and informal meetings would be very beneficial. We hope there will be recommendations of this kind made by the summit to the ten-member Committee.

Our suggestions were received very well by the other Western foreign ministers and also, when the NATO Council met, they were favourably received in the deliberations of that Council.

Then a word or two with regard to the NATO Council meeting. It was concerned primarily with preparations for the summit. Most of the time was spent in discussing what the three Western heads of government should propose at the summit meeting. There had been three working groups set up: one on disarmament, of which of course Canada was a member; another on Germany and Berlin, of which Germany was a member in addition to the United Kingdom, the United States and France; and also one on East-West relations, which was composed of representatives of the United Kingdom, the United States and France and also one representative from the NATO Council.

The Council endorsed the report which the Disarmament Working Group had submitted and affirmed it in the following words:

"The alliance shares the aim of general and complete disarmament to be achieved by stages under effective international control, and supports the proposals of the Western negotiators at Geneva to this end."

The Council also made reference to the importance of tying in the United Nations with the work of this Disarmament Committee. The Council asserted their view that these proposals provided the best means of carrying out the United Nations resolutions of November 20, 1959, and also regretted the unwillingness which the Soviet side had shown to discuss specific practical measures of disarmament.

Canada throughout has been very insistent that the United Nations should be kept in this picture. We regard ourselves as speaking on that Committee for the various middle and smaller powers who are members of the United Nations, and as this world body has the final responsibility for disarmament we think it is of the greatest importance that it should be kept right in the picture. The Secretary General of the United Nations, Mr. Hammarskjöld, spoke to the Disarmament Committee at the last meeting they held...

On the question of Germany and Berlin, there was a general endorsement of the approach which the three plan to use at the summit, and general agreement that it should be left to the discretion of the three how best to present the Western position in the light of developments at the summit. The NATO Council reaffirmed publicly its view that the solution of the problem of Germany can only be found in reunification on the basis of self-determination, recalled its declaration of December 16, 1958, and once again expressed its determination to protect the freedom of the people of West Berlin.

The third broad group of subjects dealt with was East-West relations. This, of course, covers quite a wide area, including exchanges of contacts in cultural and information fields and the possibility of discussing trade, aid and other economic questions with the Soviet at the summit. There was also discussion of the concept of détente, which has become such a popular word - meaning a relaxation of tension, I think - and also the question of peaceful co-existence. The conclusions reached included these, that the NATO members desire a true international détente, by which they mean peaceful co-operation among all states, not merely an absence of hostilities. Then they added a condition. A condition of détente is that it must be applicable to all areas of the world, that peaceful co-existence

is unsatisfactory if under its cover the Soviet union continues to engage in propaganda attacks on individual members. There would appear to be a détente in so far as Canada is concerned and the United Kingdom, the United States, France and so on, but evidently the situation is a little different in the case of West Germany and Greece, for example. They are being subjected to propaganda and pressures of various kinds, and the Council did decide that a détente should be indivisible; in other words, it should apply to all the nations.

Canada supported the idea that the West should go to the summit prepared to discuss in general terms with the Soviet Union problems of trade. We also expressed in the NATO Council an interest in having a general discussion at the summit on the problem of limiting the traffic in arms through international reporting arrangements which would apply to both the importing and the exporting countries. In other words, a country which is exporting arms would list the exports with some international agency, and so would the receiving country. This work could perhaps be done by the international disarmament organization which has been proposed by the West, should there be agreement to set up such an organization.

In addition, at the conference there were several very interesting individual statements relating to developments in particular areas, but these are not of a nature which I could properly disclose to the House.

Just before we left Istanbul and later in London we had word of the incident involving the shooting down of a United States plane. The Canadian Government regards this as a very serious incident, and we think it points up very clearly the vital need for a disarmament agreement. If incidents of this kind are to keep occurring, one of these days such an incident might trigger a nuclear war. We think it shows very clearly the need for both sides, the West and the East, to reach an agreement on disarmament.

Mind you, we believe in disarmament under control. An incident like this would not happen if there were a proper inspection system. I remind the Hon. Members that from time to time the present Government has taken the stand that Canada would open her skies to inspection if the Soviet would do the same thing in an equivalent area on the other side of the Arctic. I have, for example - I will not repeat the statements that have been made on this subject by the Prime Minister - a letter the Prime Minister wrote Premier Khrushchov on May 9, 1958, which reads as follows:

"If you are really anxious about developments in the Arctic and if you wish to eliminate the possibility of surprise attack across the polar regions, I find it hard to understand why you should cast aside a proposal designed to increase mutual security in that area."

(The suggestion had been made earlier by Canada and rejected.)

"Let me repeat here, Mr. Chairman, that we stand by our offer to make available for international inspection or control any part of our territory, in exchange for a comparable concession on your part. I would hope that you would accept some arrangement along these lines not only as an indication of our good faith but as part of a first, experimental step in building a system of international safeguards against surprise attack. When there is, by your own admission, a danger of nuclear war breaking out by accident or miscalculation, it is difficult for Canadians to comprehend your refusal to engage even in technical discussions intended to explore the feasibility of an international system of control."

I am sure all members of the House will agree with the position of the Government, which is that Canada will do everything she possibly can to bring about disarmament under proper controls and with a system of inspection.

I think too that this incident, in addition to showing the need for a disarmament agreement, indicates the importance of the summit meeting which is to be held on May 16. There has been some suggestion in the press that perhaps now there would not be any summit meeting. I submit that it is all the more important now that this has happened that the summit meeting should go ahead. Mind you, it is not going to be any easier because of the increase in tension caused by this incident, but we hope there will be no suggestion whatever that the summit meeting should be cancelled. We think there is even a bigger job to be done by these four heads of government at the summit meeting which is due to commence just a week from today.

... Finally I should like to make it quite clear that the Canadian Government was not aware of these activities, and evidently the United States Government was not very much aware of them either. I have here a statement which was issued by the State Department of the United States on May 7, and it contains this sentence:

"As a result of the inquiry ordered by the President, it has been established that in so far as the authorities in Washington are concerned, there was no authorization for any such flight as described by Mr. Khrushchov."

... I am sure the House will join with me in expressing the hope that now that both sides have seen just how serious

incidents of this kind can be and just how little it might take to bring a world disaster, the nations of both sides will get down to business and really try to work out an agreement on disarmament.

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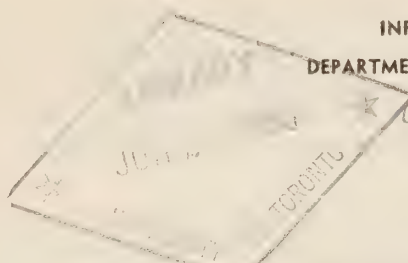


STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA



No. 60/17

RETREAT FROM THE SUMMIT

A statement to the House of Commons on
May 18, 1960, by Prime Minister Diefenbaker.

I think I should say a word at this time regarding the abrupt termination of the summit meeting in Paris. There was an opportunity for progress and improvement at this meeting which had awakened the hopes of millions of people throughout the world. For reasons of his own, reasons which I think all members of this House regard as totally unjustifiable, Chairman Khrushchev has refused to meet with the other participants. By so doing he ended, before the sessions had properly begun, all hopes of achievement at this conference.

Any cause for complaint which the Soviet leader may have felt had been removed by President Eisenhower's assurances on May 16 that over-flights had been stopped and would not be resumed. The President did this even though there was no indication that the Soviet Union was willing to give equal assurances that objectionable activities for which it was responsible would also end.

There have been periods in the past when East-West relations were characterized by sustained acrimony, but recently it had been the expectation of people everywhere in the world that we were moving into a better era where we would solve our problems by reasonable negotiation. I think I express the views of all ... Members of this House when I say that, despite the tragic international drama of yesterday and the developments of the last few days, mankind has not been thrown all the way back into the frightening gloom of the cold war.

The NATO Council will meet tomorrow. The NATO powers have been working and will continue to work toward the establishment of good relations between East and West as a basis for negotiation and settlement. It remains essential that despite the admitted setbacks of the last few days, efforts to make progress toward peace and security must not be abandoned, for the return to cold war will be as detrimental to East and West, as a relaxation will be beneficial to both.

There are only two ways in which our differences can be settled. We in the West believe in negotiation. With the collapse of the summit meeting, I believe it more imperative than ever that negotiations be continued in Geneva on disarmament and on the suspension of nuclear weapons tests.

These events of the last 48 hours have confirmed the need for the Western nations to remain on guard. We are now entering a period of reassessment and re-examination. The roseate hopes of the last few months have certainly been clouded in the last few hours. This is a time, however, for review and reflection, not for provocation or incitement. We should shortly learn the attitude that the Russians will adopt on disarmament, on the nuclear-test talks, on Berlin and on the expansion of trade and cultural contacts. When we learn this we will know whether or not future relations will be determined in the same abrupt manner that was displayed by Chairman Khrushchev in Paris.

The restraint and dignity and high sense of purpose with which the Western leaders attempted to overcome the difficulties which Mr. Khrushchev had put in the way deserve recognition and support. I want to associate the Canadian Government with the views of the three Western leaders as expressed in the communiqué just issued. The words they used were these:

"They regret that these discussions, so important for world peace, could not take place. For their part they remain unshaken in their conviction that the outstanding international questions should be settled not by the use of threat or force but by peaceful means through negotiation. They themselves remain ready to take part in such negotiations at any suitable time in the future."

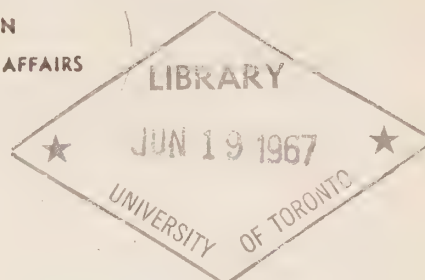
Speaking again for the Canadian Government, I wish to say that we are ready to do anything we can appropriately do to further this policy as enunciated by the Western leaders.

Finally, however deplorable Mr. Khrushchev's action in Paris, he is mistaken if he thinks he can divide the West by such tactics. On the contrary, his tactics have already served to strengthen the resolve of the Western countries to remain united.

JUN 20 1960

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA



No. 60/18

NEW FRONTIERS 1960

An address to the Petroleum Accountants Society of Western Canada at the Banff School of Fine Arts on May 19, 1960, by Mr. John C. Pallett, Parliamentary Secretary to the Minister of Trade and Commerce.

... By 1867, the marks of civilization were found throughout parts of this country. A group of men had an ideal. This was not based on economic terms alone, but was an ideal of a nation stretching from the Atlantic to the Pacific - something to capture the imagination and inspiration of men. Insurmountable difficulties had to be overcome. It took the hard work and faith of a handful to make the nation we today call Canada a reality. Through that, tremendous areas were opened up. Today, Western Canada is settled and developed, and prosperity is present. The confidence in the future is abundant in this country. No longer do we hear statements, such as "the rails will rust from lack of use", no longer the tremendous financial interest of outside powers endeavouring to destroy the unity of the country. The decision of 1867 is today a reality.

And what has brought it about? Many things have contributed. The most significant of all has been the tremendous development of our natural resources, adding vast sources of wealth to our country.

We have created a highly productive nation, albeit in about 15 or 20 per cent of our country. North of us stretches another 80 per cent, just as important as our West of 1867! Just as intriguing, just as promising. What was true of the opening of the West is equally true of the opening of the North today.

Government action and national policy - it seems to me that national policy was the by-word in 1867 - are a "must" if we are to take advantage of our great potential in the North. I suggest to you today that there are three factors of endeavour in the matter of resource development.

First, resources belong to no particular segment of the people - they represent the possibility of great benefits for all Canadians.

Secondly, the role of Government in this field cannot be passive but only dynamic - by leadership to stimulate resource development, by leadership to create the mental condition to make resource development possible.

And thirdly, we are a free enterprise economy and free enterprise is the essential in the actual exploration, development, manufacture and marketing of our resources.

Northern Canada will not be developed by those who are concerned about pinching pennies today so as to have a farthing for their old age. It will be developed by those who are prepared to risk their capital, their time and their energy to help build Canada for future generations.

Physical resource development, to be on a sound basis, needs to know what we have, where it is and what it can be used for. Development in Canada in the past has been brought about by government and private enterprise. So, the function of delineation survey, inventory and planning can be assisted by government. Too little in years past has been done in Canada with regard to them and a great deal remains to be done. This is one of the important programmes of our present-day Government.

Forest inventories and research, oceanography, hydrographic survey, hydrometric surveys, agricultural and fishery investigation and experiment, all come within the category of public contribution to resource development. In the case of the North, the geological surveys and mapping, which are the basis of mineral exploration and development, are of great importance.

The second area where government can assist is in the provision of services. In 1867 - rail across Canada. The recognition then was that transportation was the important service. It is recognized today that transportation is important. Government participates totally in the case of public roads and airfields and substantially in the case of railroads.

I ask the question today: "Should these facilities be put in ahead or should they follow?" The Federal Government takes the view that they should precede, and that they should be put into new and promising areas to open them up for the development that follows. This is not a new philosophy. It built the first transcontinental railway. This is what brought about such things as the Ontario Northland Railway. Both of these were poohpoohed at the time and both have made significant contributions. But, somehow over the years, this philosophy disappeared.

There is now a new appreciation of government leadership as to the provision of transportation services, so that development might grow in the vast new areas of the North. New frontiers, 1960 - as new frontiers, 1867.

Hospitals, schools, electricity and water, all the amenities of civilization are expected on today's frontier. There is an element of speculation in a programme such as this, and careful consideration is needed by both the provincial and federal governments to select promising areas.

Resource development is for the general national advantage in the long as well as the short-term. It is a must that development proceed with an eye to the future. Conservation of our resources must go hand in hand with the profits that are made; care and planning hand in hand with the development. A National Conservation Conference is to be held next year to assess what should be done. All ten provinces, as well as the Federal Government, universities and private associations, will meet to plan for our future with increased co-ordination and assurance.

Twenty years ago, Canada's production of iron possessed no commercial significance. Today, Canada's extensive resources of this product have become a by-word. There are extremely large quantities of direct shipping iron, and a seemingly unlimited amount of iron bearing material. From the Wabush Lake area in Labrador, southwestward through the Mount Wright and Mount Reed areas in Quebec, exploration has revealed billions of tons of specular hematite and magnetite, ranging from 30 to 40 per cent iron, that can be recovered by relatively simple methods of concentration. Even the deposits of direct shipping iron ore, currently being mined at Steep Rock in Ontario and Shefferville in Quebec, contain at least a billion more tons of ore. There is, an abundance of iron ore in Canada, sufficient to supply a growing domestic demand and a large export market for generations to come. Since 1939, shipments have increased from 100,000 tons to nearly 20 million tons a year, and this industry is now a major contributor to Canadian prosperity. The iron mining industry contributes over 10 per cent of the total value of our exports of minerals and mineral products, and has become a strong and stable factor in our balance of trade.

I do not have to tell this group that in the space of 10 years a "Cinderella" industry has been found in the west. In that short space of time, the Canadian oil outlook has completely transformed. In 1950, domestic sources supplied less than 10 per cent of our nation's need. Since that time, production has risen twentyfold, and, despite the rapid rise in consumption, existing wells are able to produce enough oil to meet the nation's overall requirements. Those who know tell me that our recoverable reserves have reached some 3,000 million barrels at the present time.

I also do not have to tell you that the oil industry has met its competition from outside the country.

We know that supply and demand for petroleum is influenced by many factors, some of which are outside the control of any one country. Reserve and cost prospects must be taken into consideration as well as many other items. The number of areas where petroleum production is commercially profitable is limited. Ninety per cent of the world's proven reserves are situated in two major areas; those bordering the Gulf of Mexico and the Caribbean, and the Middle East. An equivalent of only 40 years' supply is estimated to be in these two areas. They could have a tremendous impact on the supply and marketing situation. In Canada, with the market increasing for petroleum products as in the past at an average rate of 5 per cent, it appears that the industry will continue to invest between \$75 and \$100 million a year in order to maintain its present position in the import market, a major factor in the Canadian economy.

The use of natural gas, both as a fuel and as a raw material, has progressed so rapidly during the past thirty years that it is today becoming one of our chief supplies of energy.

As with oil, Alberta possesses reserves many times larger than any other discovered in the country. Ninety per cent of all the natural gas used in Canada is produced here. Until 1955, the use of natural gas was confined to the southern half of the province. With the completion of the new pipe-lines, this source of energy has been transmitted as far east as the Province of Quebec.

In 1950, Canada had 6,000 miles of natural gas lines. By 1959, this figure had grown to 28,000 miles. The result of this rapid development has been that crude oil and natural gas from the West has been moved into scattered refineries in the east. With the progress that has been made in this short time, it is quite feasible that by 1980, or sooner, this type of energy may also reach our Atlantic provinces.

One cannot exaggerate the importance of the National Energy Board to your industry. You will recall that, prior to its establishment, there existed a rather clumsy system of processing licenses for gas export. I think it can be said that federal agencies in the past have neither been adequately equipped nor properly authorized under the then-existing legislation to assist the petroleum industry in the orderly development of our resources.

The new Board provides a public forum, with a court of record, enabling the applicant to present his case. This was denied under the old system. It also establishes a federal agency through which the industry will have some contact with the American Federal Power Commission. There can therefore be

another method of communicating views between the two countries on matters affecting both oil and natural gas.

The Board has the important obligation to assure Canadians that adequate reserves will be maintained for our own domestic requirements.

I think you will agree that, recognizing the despatch with which the recent applicants for gas export were dealt with, the new National Energy Board has already justified its existence.

I am sure it is not necessary for me to describe to an audience such as this the benefits which our country will derive as a result of the recent decision made by the National Energy Board and confirmed by the Government of Canada. Suffice to say that millions of dollars retained in Canada from both the sale of gas and the separation and processing from its raw state into various components will provide a stimulus to the petroleum industry, unparalleled in recent years. It is estimated that some \$200 million will be expended in the construction programme alone before a cubic foot of natural gas enters a transmission line. Under such a circumstance, one can only speak in the most optimistic terms in describing the future of this country.

I have mentioned development of resources in Canada and I refer to the development of those resources that are found in the ground. But there are other resources in Canada, resources without which these inert matters would remain inert and unsold. I refer now to manpower, technical know-how and energy. These have taken us into the world markets. These have taken us into the field of secondary industry. The forecast for 1960 is for an increase in capital outlay by the business community, further expansion of industrial output, increased employment and increased export trade.

It has been said that the rising tide of productivity and prosperity in many nations creates a timely opportunity for mutual benefits for expanding world trade. By pursuing this opportunity we can create vigorous economic growth both at home and abroad.

A Canadian effort of this kind is today's number one requirement. An expanding level of exports is in the national interest. We have, and shall continue to have, large expenditures in the realm of defence, aid to other countries, health and welfare and all those social services that are today a part of our living. Our means for paying for these things is a high level of sales abroad. What better goodwill ambassador of the Canadian free enterprise system have we than the delivery of first-class goods stamped "Made in Canada"? Exports make wages for workers, profits for management and dividends for shareholders. The benefits extend beyond those who make and sell products as well. New exports mean new insurance sales,

new banking, transportation, advertising, retail store sales and all forms of business activity. Free enterprise in Canada, so long as it remains free enterprise, must embark on a tremendous effort for expanding export sales. Certainly competition is strong. Why shouldn't it be? Other people have a right to sell on the market as well as ourselves. New products have appeared and will continue to appear.

Canada enjoys great advantages to be seized upon by our exporters.

First, our word is our bond!

Second, our manufactured goods are second to none!

Third, our delivery dates - we are able to ensure a continuity of supply!

Fourth, we have the natural resources and the energy to develop and process them.

The domestic market is the easier one. Here we have common languages, common currency, finance, and communication that permits instant information. Our exporters move in a less known field, including convertibility of money, delays in communication.

In the Department of Trade and Commerce we have one of the finest foreign trade services in the world, built up over the years. Our trade commissioners provide the link between private enterprise and foreign countries.

In a free enterprise system, the government can supply the introduction and information. The actual selling remains in the hands of the entrepreneur of 1960.

Canada's exports during the first quarter of this year were valued at \$1,291 million and were 22.8 per cent higher than in the corresponding period of 1959, while the quarter's imports were valued at \$1,330 million, higher by 9.3 per cent than a year earlier, according to preliminary DBS figures. Thus, the import balance in the first quarter of 1960 was sharply reduced to \$38.7 million from \$166.2 million in the same period of 1959.

Exports to all countries in March 1960 were valued at \$439.5 million and were 15.3 per cent higher than last year. The March increase compared with gains of 33.5 per cent in February and 21.2 per cent in January of this year over the corresponding totals last year, continuing the uninterrupted monthly year-to-year increases which started in September 1959. Imports from all countries went up 10 per cent to \$476.4 million in March 1960, following an increase of 19 per cent in February and a very small decline in January of this year.

Exports to the United States went up 18.7 per cent to \$768.3 million in the first quarter of 1960, and imports from that country rose 7.8 per cent to \$938.3 million. As a result, Canada's import balance with the United States was reduced to \$170 million from \$223.3 million in the corresponding period of 1959. Between the first quarters of 1959 and 1960, the United States' share of Canada's exports declined to 59.5 per cent from 61.5 per cent, and the proportion of Canada's imports accounted for by that country declined to 70.5 per cent from 71.5 per cent.

Exports to the United Kingdom increased 27.8 per cent to \$209.3 million in the first three months of 1960, and imports from that country rose 37 per cent to \$147.6 million. Canada's export balance with the United Kingdom went up to \$61.7 million from \$56.1 million in the same period of 1959. Over the two periods, the proportion of Canada's exports going to the United Kingdom increased to 16.2 per cent from 15.6 per cent and the share of Canada's imports coming from that country rose to 11.1 per cent from 8.8 per cent.

Exports to the Commonwealth (excluding the United Kingdom) went up 9.1 per cent to \$69.6 million in the first quarter of 1960, and imports from that area increased 26.7 per cent to \$47.5 million. There was thus a reduction in Canada's export balance with the Commonwealth to \$22.1 million from \$26.3 million. Between the first quarters of 1959 and 1960, the share of Canada's export total accounted for by the Commonwealth declined to 5.4 per cent from 6.1 per cent, but the proportion of the Canadian import total coming from that area rose to 3.6 per cent from 3.1 per cent.

Exports to all the remaining countries increased 38.6 per cent to \$244.3 million in the first three months of 1960, but imports from that group of countries declined 2.5 per cent to \$196.7 million. As a result, last year's import balance of \$25.4 million gave way to an export balance of \$47.6 million. Over the two periods, the proportion of Canada's exports going to all the remaining countries rose to 18.9 per cent from 16.8 per cent, but there was a reduction of the share of those countries in the Canadian import total to 14.8 per cent from 16.6 per cent.

Our exporters have responded dramatically to this challenge, but even with these increases, the breakdown of the 1960 figures is as follows:

raw materials	31 per cent
partly manufactured	32 per cent
chiefly manufactured	37 per cent

The market for other secondary goods must be expanded so as to increase our secondary industries, which form the basis of the large employment factors required in this country.

How many people would be employed in the oil industry if we merely extracted crude and sold it? How many additional people are employed because we not only extract but refine, and deal in by-products? The same follows for all our extractive industries in Canada.

It is not enough merely to lift from the ground our raw materials and take them down a couple of steps and sell them. Canada must realize that this is 1960 and get into the selling of the completed product that can result from our extractive industries. I repeat, government merely provides the information, the encouragement and the climate. The free enterprise system in the end must provide the results.

And, so we have the horizons of 1960, not unlike those of 1867. The tremendous potential still exists in the natural resources plus the added worth of our technical know-how. Competition still exists as it will always exist. Trading blocs existed then as now. There has been no era in Canada when the struggle to maintain national sovereignty through economic strength has been easy. Canadians long ago set out on the road of self denial, industry and determination, so as to remain Canadians. The new frontiers of 1960 are not dissimilar to those of 1867.

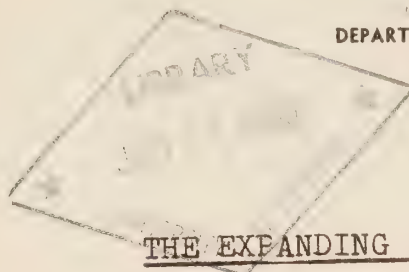
I quote the Honourable Gordon Churchill, Minister of Trade and Commerce:

"Canada's future standard of living will depend to a great extent on its success in primary and secondary industry. The challenge of keeping Canadian production at a competitive cost rests in the first instance on the shoulders of industry. Labour and management must provide strong and able leadership if they, between them, can keep Canadian industrial costs in line with those of our leading competitors. If this can be done, then it will be possible for us to enhance our trading position in most or all of our markets".



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA



No. 60/19

THE EXPANDING COMMONWEALTH

A speech to the House of Commons on May 16,
1960, by Prime Minister Diefenbaker.

... I came back from the London Conference feeling that, bearing in mind the difficult circumstances arising from the situation in South Africa, the Conference was generally useful and successful.

Many observers have, of course, pointed out that the proceedings of the meetings did not result in any perceptible change in the attitude of the South African Government. It was not to be expected, however, that magic improvements could take place in a situation of such tension and complexity. I believe that those who in future will examine and judge this period in Commonwealth history will decide that this meeting did not fail to respond to the stern test to which it was put.

I would be the last to say that everything was achieved that I would have desired. I do not contend that in so far as the communique is concerned it can convey the full nature and substance of the deliberations that took place. On occasions in the past I have heard my predecessors ... report on conferences they had attended. In every case it was made perfectly clear that while no decisions were made or can be made in these informal circumstances, there is a oneness of mind that comes about through the exchange of ideas.

There was no disposition on the part of any of the representatives to evade this issue, and there was no lack of frankness in private and informal discussions. I underline the fact that ... only in unanimity can there be a final communique issued. Everything that is included therein represents the agreement of all. To bring together the representatives to one quarter of the world's population, belonging to many races and being of many colours, I think it is quite an unusual result that several conclusions were arrived at unanimously which cannot but result in the possibility of change along the lines generally desired.

Despite the profound differences which prevailed and persisted throughout, it was possible for a communiqué to be issued. This was difficult with two inherently conflicting elements to be reconciled. First, it had become essential that a way be found for Commonwealth governments to make clear their intentions on this central question of racial relations. Second, it was desirable that this should be done without violation of the traditional practice of these meetings that the internal affairs of member countries are not the subject of formal discussion. I believe now more certainly than I did when I spoke here on April 27 that any departure from this last principle would mean the end of the Commonwealth as we know it; because, if we ever arrive at the point where we will discuss the internal affairs of other countries and determine the course by a majority, then there will be problems that will arise and it could only mean that several countries in the Commonwealth could not accept the decisions of the majority. I need not go into particulars in that regard; I think a number would come to mind immediately, including the question of migration.

Personally ... I was of those who thought it worth-while to try to achieve the first objective of enabling the views of Prime Ministers to be expressed without sacrificing the principle of non-interference, which is one of the elements of the Commonwealth association. I took the view that notwithstanding the depth of feeling on this racial issue--my views throughout the years and now are a matter of record--I believe it would be wrong and damaging to the spirit and fabric of the Commonwealth partnership if a majority of the Commonwealth governments, finding themselves allied in condemnation of one or more of their number, were to constitute themselves as a court of judgment. I saw, as I said a moment ago, in that trend an end of the association as we know it. The seed of mutual recrimination would threaten the partnership whose essence has always been tolerance, restraint and free co-operation.

... Strong feelings were held in the informal meetings. Men like the President of Pakistan, the Prime Minister of India, of Malaya and of Ghana accepted this view as essential to the preservation and maintenance of our relationship. There was unanimous acceptance of the principle that internal affairs of free states are not to be the subject of formal discussion, and that any action in that regard would damage the strength and ultimately the preservation of the institution itself.

I cannot reveal ... in the tradition of those meetings, the substance of the talks. There were at times bilateral, at times in small groups, and at other times all the representatives took part in an informal and private exchange of views. For my part, I had two lengthy and private personal conversations with Mr. Louw; I participated in other informal

discussions. I left Mr. Louw in no doubt that in Canada there is no sympathy for policies of racial discrimination, on whatever grounds they may be explained, and that such policies are basically incompatible with the multiracial nature of the Commonwealth association. I made it clear to him that the policy of South Africa was a denial of the principal that human dignity and the worth of the individual, whatever his race and colour, must be respected, and that there could be no doubt as to our views in that connection. Indeed, those views are being generally expressed now.

A few weeks ago there were those who felt that what we required was condemnation by various parliaments. I think the events during the days of the Conference were an answer to that contention. Our views, the views of all of us in other parts of the Commonwealth, or most of the people in other parts of the Commonwealth, were set out only a few days ago by the Archbishop of Canterbury when he said:

"But the tragedy is that so far they (South Africa) have seemed to pay little or no regard to the burdens they are imposing on the hearts and consciences and political principles of those who are their brethren in the Commonwealth, in culture, in Christian faith and in common humanity."

Only in the last 24 hours I have received from the Primate of the Anglican Church of Canada the declaration of that Church, which represents the views expressed at the 1958 Lambeth Conference:

"The Conference affirms its belief in the natural dignity and value of every man of whatever colour or race as created in the image of God. In the light of this belief the conference affirms that neither race nor colour is in itself a barrier to any aspect of that life in family and community for which God created all men. It therefore condemns discrimination of any kind on the grounds of race or colour alone."

I would be less than frank if I did not say that I cannot report that there was any indication in Mr. Louw's attitude, representing his Government, that he was moved by the arguments or concerned about the force of international opinion. However, he learned the viewpoint, he recognized that of all those present there, no one, in the informal meetings or elsewhere, could give support to racial discrimination in a multi-racial Commonwealth.

It is clear that the issue of racial conflict will continue to pose a fundamental problem for Commonwealth countries and, indeed, for the world community. My hope is that by this

meeting we have assisted in the process of change. The matter was not on the agenda but it was discussed with clarity and frankness; and above all, by those from whom you would have expected the expression of violent opinions, with a dignity, a restraint and a recognition of the tremendous issues at stake that must give heart to all of us as to the meaning of the Commonwealth as such.

International concern has been demonstrated in the United Nations. In the last few days the Secretary-General, Mr. Hammarskjöld, has been holding talks in London with Mr. Louw. Whatever the results may be, I am sure they will be aided in their talks by what took place at the Conference. I hope the people of South Africa can work their way out of the dreadful impasse to which they have been brought. I hope their isolation on the continent of Africa will give them thought and a realization of the situation. It was a great South African, Field Marshal Smuts as he subsequently was, who as long ago as December, 1918, reminded us of this fact:

"There is no doubt that mankind is once more on the move. The very foundations have been shaken and loosened and things are again fluid. The tents have been struck and the great caravan of humanity is once more on the march."

He was pointing to the need of new institutions, new ways of thought, new kinds of international behaviour if the world was to avoid the catastrophe of another war. His words were of prophetic application to his own continent.

It was made very clear in the communiqué that racial equality was of the essence. The communiqué had this to say:

"Whilst reaffirming the traditional practice that Commonwealth Conferences do not discuss the internal affairs of member countries, Ministers availed themselves of Mr. Louw's presence in London to have informal discussions with him about the racial situation in South Africa. During the informal discussions Mr. Louw gave information and answered questions on the Union's policies, and the other Ministers conveyed to him their views on the South African problem. The Ministers emphasized that the Commonwealth itself is a multiracial association and expressed the need to ensure good relations between all member states and people of the Commonwealth."

We know the results of the assertion of racial superiority only a few years ago and the effects that followed from it. It is my hope that the South African Government will heed and heed quickly the appeal that was made to it, not only in the communiqué but in personal conversations.

The Government there has been planning to hold a referendum on the question of changing the present status of South Africa from a monarchy to that of a republic. In that regard it was pointed out that the choice between a monarchy and a republic is entirely the responsibility of the nation concerned. Then there are these significant words. I am not going to interpret them, because they require no interpretation; their significance lies in the fact that they were accepted unanimously by all who were there:

"In the event of South Africa deciding to become a republic and if the desire was subsequently expressed to remain a member of the Commonwealth, the meeting suggested that the South African Government should then ask for the consent of the other Commonwealth Governments either at a meeting of Commonwealth Prime Ministers, or, if this were not practicable, by correspondence."

This established clearly that membership in the Commonwealth is not a formality. These words speak for themselves. They make clear that the Prime Ministers were not prepared to give an advance assurance that South Africa might remain a member of the Commonwealth in the event that a decision was made to adopt the status of a republic. Therefore the important point is that if a change of status does take place as a result of the referendum, the consent of the other Commonwealth Governments will be required as a pre-condition of continued membership. Again I emphasize the fact that this was accepted by all.

The attention given to the South African problem, however, should not be allowed to obscure the deliberation which took place on many other subjects. The nature of those deliberations is fairly reflected in the communiqué, but I am going to make a few general references thereto. The multi-racial nature of the Commonwealth was underlined by the admission of Ghana three years ago at the last meeting, by the participation of the Prime Minister of Malaya this year and by the fact that the Federation of Nigeria, with a population of 35 million, will join the family on the 1st of October and that Sierra Leone and other countries with various colours and races will, it is expected, soon be applying for membership.

What has taken place here is a recognition that there is no automatic membership in the Commonwealth, and I believe it is also suggestive of the possibility that the time is not far distant when acceptance by custom rather than by declaration of certain basic principles, including equality of all races, colours and creeds, will be assured. This view is underlined in various editorials to which I could refer. I draw the attention of the House to the fact that Canada's views were known, but the fact that we had not had a resolution placed

Canada's representative in a position to speak to Mr. Louw in a way that did not arouse his antagonism. What happened here is well set out in the London Financial Times:

"If the South African Government carries through its plan for making the country into a republic ... "

Important constitutional matters will arise.
It goes on to say:

"More important even than these constitutional considerations is the simple truth expressed by Mr. Diefenbaker last week that a Commonwealth in which the majority of the population is coloured must unequivocally accept racial equality.

"The seriousness of racial problems varies widely from member country to member country. Not all of them have an untarnished record. Yet the position today is that the truth of Mr. Diefenbaker's proposition is accepted in theory at least everywhere in the Western world except in South Africa. Refusal to accept it would mean losing the struggle against Communism by default."

And so I might go on in that regard. This was an important step forward, and in that connection it is important internationally. We reviewed the international political situation. As to our views on the summit conference, I shall not now refer to them in view of what has taken place today.

There was universal agreement on the importance of developing a general detente in international relations, the urgent need of concluding a broad agreement to end the testing of nuclear weapons, and the desirability of finding avenues of progress in the field of general disarmament. There was an awareness of the growing importance of China in world affairs; and in particular, in order to ensure the implementation of any international agreement on disarmament, the participation of China was recognized as being of first importance.

The meeting was notable also for the growing recognition it gave to the development of the economic needs of the newly independent countries of Africa. I have mentioned already the fact that Nigeria will become a member. I have also referred to the second constitutional decision which arose from the intention of Ghana to introduce a republican form of constitution by July 1. In connection with the decision regarding Ghana's relation to the Commonwealth, the Government of Ghana applied to continue as a member, thus again illustrating the flexible nature of the Commonwealth relationship which permits member countries to remain in free association despite the differences in their forms of government.

As to the economic needs of the emerging nations of Africa, there was a unanimous recognition that a substantial expansion of economic assistance was necessary in order to assist these countries to achieve self-sustaining growth. The greatest remaining under-developed region of the world is Africa, where no special international economic assistance programme has been established and where the flow of investment and aid funds, in comparison with that to other under-developed countries, is disproportionately small. The Prime Minister of Ghana is seriously concerned about this situation. It was agreed that unless measures are quickly taken in this crucial formative period in the history of these new African nations there may very well develop in those nations doubts as to the goodwill of the developed countries of the West, and they may be tempted to look for sympathy and assistance in other directions.

Mention was made of what the Colombo Plan had done. There is no such type of international assistance as yet available in Africa. Consideration is therefore being given to the possibility of co-operative action among members of the Commonwealth in assisting the economic development of countries in Africa which have recently attained or are approaching independence. This matter will be studied by the various Commonwealth governments, and will be examined at the next meeting of the Commonwealth Economic Consultative Council in London.

On behalf of the Government, Canada indicated willingness, subject to Parliament, to participate in such a programme. I cannot at present, however, indicate the scope of the aid programme which may flow from the decisions of the Conference, or offer any forecast of what will be required from Canada.

Then, in connection with the need for technical assistance for the newly independent countries of both Asia and Africa, the Prime Minister of Malaya drew attention to the fact that his Government required the services of persons with specialized skills and experience in the administrative and technical fields. There was general support that everything should be done to foster and encourage exchanges of specialized personnel, and that the question should be taken into consideration by the Commonwealth Economic Consultative Council.

A further subject--and this was one that will become of increasing importance ... was the constitutional development of the Commonwealth. Up to the present time it has been possible to preserve the intimate character of the Prime Minister's meetings. The essence of these meetings is that they are conducted, as I said, in an informal way. No resolutions are moved; no votes are taken. Progress is made by agreement after discussion. However, as the membership of the Commonwealth grows new problems as to how these meetings will be conducted will arise.

One has only to note that at the present rate of accession to the Commonwealth, within a very few years the present membership of 11 will be expanded to 16 or 18. How shall such a wide membership be reconciled with the maintenance of frank, intimate and profitable discussion? What about the size of the gathering? What about the size of the nations? There will be tremendous and fantastic disparities in population, importance and size, India with a population of 450 million and Sierra Leone with 2 million.

The various Commonwealth governments will have to give consideration to such questions as membership, weight by population, the rotation of membership as in the Security Council, regional groupings of nations within the Commonwealth, and representation of such groups. These are some of the problems which will have to receive consideration. I am not indicating any view with regard to them. These are some of the problems that will now have to be examined in the light of the tremendous expansion that is taking place and the number of nations which are joining us.

To those who say there is nothing in the Commonwealth relationship, may I say that it is of interest to note that in all the years the Commonwealth has been in its present form only one nation which attained independence, namely Burma, did not apply for membership. In other words, these nations representing various colours have of their own volition decided to remain with the institution and become active and effective members.

... One other matter I want to refer to is the question of trade. Western Europe represents a very important market for all Commonwealth countries. With the exception of the United Kingdom most of them, like Canada, are important suppliers to Western Europe of agricultural products. It was therefore recognized that it would be a matter of much concern if our competitive access to these markets was impaired in any way by the agricultural policies which may be followed by the European Economic Community. This Community can have a tremendous influence in the direction of world trade, and this is significant for the primary producing countries of the Commonwealth. It was urged that both The Six and The Seven should pursue trade policies that are consistent with their obligations under GATT. In this way Western Europe would be contributing to the general economic well-being of the world, and particularly of the under-developed countries.

Some concern was expressed about the possibility that the plans to create a successor organization for the OEEC might lead to exclusive or restrictive arrangements which would not take into account the interests of countries outside Europe. I explained that while Canada expected to be a full member of the revised organization, we attached great importance to ensuring that its efforts should be directed toward improving multilateral trading conditions and that we did not regard this as in any way an exclusive organization which would be harmful

to the interests of other Commonwealth members. I believe the members of the Commonwealth share our concern that the economic division in Western Europe should not lead or be permitted to lead to political division. It was also recognized, as I saw it, that the United Kingdom should continue to maintain the closest co-operation with the rest of the Commonwealth in developing its own policies with regard to trade with Western Europe.

Now ... to those who have predicted that the Commonwealth was on a slippery slope, I am convinced that it came out of the Conference stronger than ever. It is impossible to convey to the Members of this House the spirit that was apparent in the desire to assure the maintenance of unity without the sacrifice of principle on the part of any of the members. Each of the representatives, in a spirit of understanding, was conscious of and concerned with the welfare of all other members. While re-emphasizing the cardinal principle of the Commonwealth, non-interference in domestic affairs, the multiracial nature and the need for recognition of equality of all races and peoples were recognized. In the informal meetings it was made clear and definite so that no one could misunderstand it.

I mentioned this earlier in another way, and I repeat it. While the Commonwealth has no constitution, the membership and variety in population of the peoples that compose its membership demand the recognition of equality, and I believe the final communiqué made it clear that the recognition of these principles has been achieved in spirit.

As I return I am convinced of one thing. While there were those who were critical of the stand which was being taken, I think, in the light of what has occurred, the course followed was one that has assured the maintenance of the basic principles, and also made possible in the future the achievement of equality and the denial of discrimination. The ominous danger of Commonwealth fission was prevented without the sacrifice of any vital principles by the Prime Ministers and representatives of the various countries. The course of reason, restraint and diplomacy was followed rather than that of judicial action. The various Prime Ministers who felt most strongly against fanatical racialism maintained a self-control and a dignity in the presentation of their arguments which had its effect. I think it may be fairly said that an advance was made in the interracial and multiracial relationships of the many peoples of the Commonwealth; and while collective action was asked by some before we met, it was asked by none by the time we separated.

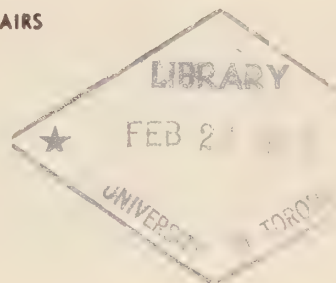


CANADA

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)



No. 60/20

AIR TRANSPORT IN CANADA

An address by Mr. George Hees, Minister of Transport, in Ottawa, on May 20, 1960, to the Ontario-Quebec Lions Club.

When I was considering a suitable topic for this occasion, it seemed to me that, as you are all forward looking business and professional men, and leaders in your communities, it would be timely to speak about air transportation in Canada, its rapid growth, and in particular, developments occurring as a result of the jet age.

Aviation may be the baby of our transportation system, but it is an infant whose growth is nothing short of phenomenal. It is now just entering the second half century of its existence, and jet-propulsion has now been added to make that entrance more spectacular.

The experts charged with the job of providing air-traffic control, navigational aids, and runways and terminals to accommodate this exploding industry, are constantly faced with changing techniques, all for the express purpose of getting more people and goods from one point to another in less time.

Today, all major aviation interests in the world are constantly seeking and developing new safety aids to flying. One of the most important of these aids is Precision Approach Radar, which enables a plane to land safely in bad weather.

This year we plan to make the first installation of a series of Precision Approach Radars for our major airports. This equipment will make it possible for the captain of an airliner to place himself completely under the guidance of the radar-operator on the ground, who will in effect "talk him down". This particular aid-to-the-pilot is already used at many major military airports, and its adoption for major civil airports is growing throughout the world.

Another aid which we are watching closely, is being developed in the U.S.A. and Great Britain. This is a fully-automatic landing system, which will carry out the actual landing of an aircraft without active participation by the pilot until the aircraft reaches the ground.

Aircraft designers are now talking about supersonic commercial aircraft which will fly at 1,800 miles an hour, at a height of fourteen miles -- and which, needless to say, will bring a whole new set of operating problems. We must, as best we can, foresee all these problems and plan how to meet them. Closed circuit television based on radar screens, electric computers, secondary radar for individual identification, and automatic signalling, are the tools we are now trying out as speed and traffic volume increase.

Within the past ten years, the growth of air traffic in Canada has exceeded the most optimistic expectations. In that short period, domestic passenger traffic has sky-rocketed from one million to five million passengers a year.

The requirements arising from this explosive growth in terms of airports, airways, and terminals, are tremendous. At the present time, we are pushing ahead rapidly with a long-range programme, which covers the ten-year period expiring in 1968. The total estimated expenditure amounts to no less than \$1 billion, based on about a 50-50 division between capital and operational costs.

Air terminal buildings form possibly the most noticeable part of the current construction programme. Each of these buildings is a highly complex structure, specially designed to suit not only the air traveller but many technical operations as well --- communications, customs and immigration, air-traffic control, baggage handling, and so on. When you superimpose on these the accommodation for a dozen and one types of concession, the terminal building is just about the equivalent of a small community.

For example, the new Montreal terminal building, which we will have in operation by the end of the year, has an area equivalent to five city blocks. 2,500 persons will work there daily. The heating load is more than $2\frac{1}{2}$ times that of the Queen Elizabeth Hotel --- to be exact, 18,000 gallons of fuel oil on a peak day. The new Toronto terminal will cover an area thirteen times as large as the present building.

New terminal buildings are already in operation at Saskatoon, the Lakehead, Windsor, Quebec City, Seven Islands, Moncton, Torbay, Stephenville and Gander. This year we will complete new terminal buildings at Ottawa, Halifax, Regina and Montreal. Good progress is being made on the new projects at Edmonton, Winnipeg, and Toronto. When this part of our programme is completed, we will have a series of terminals better than those provided by any country of comparable size.

Another aspect of aviation which is perhaps not as widely recognized as passenger service, but is making tremendous advances today, is the business of air cargo. While volume in this field is still lower than passenger service, its present rate of growth has surpassed passenger business growth by nine times, and many competent people in the aviation industry are today predicting that freight revenues will soon exceed passenger revenues.

While air-freight expansion has been spectacular, it has been retarded by one obstacle - the lack of an efficient large cargo aircraft.

The fact airlines have been carrying on with primarily passenger aircraft converted for freight work has kept operating costs high.

A major solution to the problem of high costs and one which may well provide the economic breakthrough, is the CL 44 cargo plane being developed by Canadair.

This plane has many special features, particularly advanced turbo-prop engines with low fuel consumption and maximum capacity through use of a hinged tail which allows straight in loading and unloading.

This feature promises to overcome delays on the ground. It is estimated that three to five hour loading times may be cut to half an hour, and result in a substantial reduction in air-freight rates.

Ten years ago, Trans-Canada Air Lines carried, in one year, approximately $4\frac{1}{2}$ million pounds of air freight. Last year, the total was 35 million pounds, or eight times as much. Today, virtually all the large airlines have, or soon will have, large jet aircraft in service, providing greater speed and more capacity.

The new DC 8 which TCA has now in operation is capable of carrying, in addition to its normal complement of 127 passengers, 5 tons of cargo in its holds, at a speed of 550 miles an hour.

When it is realized that a shipment of goods can leave Toronto at 8.35 in the morning, and arrive in Vancouver at 10.15 the same morning, or, for example, a shipment from a supplier in London, England, can leave at 3.15 in the afternoon and arrive in Toronto at 6.10 the same afternoon, one can readily see the great potential that lies ahead for this phase of the air industry.

I visualize the day, and not in the far distant future, when we will see huge central warehouses built close to our major airports, with connecting runways that will permit 30 to 40 ton cargo planes to taxi right into a warehouse, just as a truck does today, load its cargo in Montreal and deliver it in Vancouver the same morning.

When we accomplish this we will have given Canadian industry a major opportunity to improve its competitive position by providing the benefits of rapid delivery and continuity of supply in areas far removed from the source of production.

From the point of available facilities for air cargo in Canada, the prospect for the immediate future is greatly expanded capacity.

By December of this year TCA will be able to lift approximately 1.6 million pounds a month westbound from Toronto, compared to the present figure of approximately 400,000 pounds. In short, a fourfold expansion in air freight facilities before the end of this year. The same type of expansion in facilities will be possible to and from the Atlantic provinces, and early in 1961, to New York and Chicago.

Shipments will move at much greater speeds, so that a combination of increased speed in delivery and increased transport capacity will result in dramatically improved service.

This improvement in service might lead one to expect higher rates, but let me assure you, the reverse will very likely be the case, because of the increased productivity of the new aircraft.

On April 1st last, trans-Atlantic rates were reduced on a wide list of commodities --- in some cases as much as 50 per cent.

TCA has at present under study a review of prevailing domestic rates with a view to a reduction in domestic rates for air cargo, particularly long-haul cargo.

The increased productivity of the new aircraft now going into service provides the breakthrough for the carriage of large volumes of cargo by air.

At present the air industry is looking even farther ahead, and plans are well advanced for pure jet and turbo-prop freighter aircraft --- which give promise of lower cost transportation.

TCA, along with other North American and overseas airlines, is today actively studying the possibilities of employing new, modern, freighter aircraft on its routes, to provide even greater capacity and better service to Canadian business and industry.

Air freight rates will, in the future, approach more closely surface rates by rail, truck, and sea. Even though it may still cost more to ship by air, the small additional cost of air transport will be more than offset by the added advantages and economies of low inventories, reduced warehousing costs, and reduced packaging costs.

There is a fast-growing trend in business on this continent today, to consider more carefully transportation costs in relation to its effect on other costs, principally inventory and warehousing.

In the past, it has been necessary for business to maintain a string of warehouses, at different locations in Canada, to give fast local service. This entailed increased costs for inventories carried. Today, the rapid-delivery service now available by air, which can give virtually the same service direct from the factory, is allowing industry to review dispersed inventory costs and branch warehousing, and its associated costs.

In mentioning the great possibilities that lie ahead, I am under no illusion that all freight will move by air in the future. Even if they capture 1 per cent of the total ton miles, it will be an increase of many times their present volume of freight carried and, doubtless, will result in greater service at lower costs to the shipper and, in the end, to the consumer.

Present developments in air-transport facilities, both for passengers and cargo service, will mean much to Canada in the years immediately ahead. Our outlying areas, which we know are rich in natural resources, require suitable transportation facilities that will make their economic development a reality.

Some of these areas have been serviced by extension of existing railway lines, as for example in the Province of Quebec. Other areas have, and are being serviced by the construction of roads under our present roads to resources programmes. Still other areas are now being made accessible for development through an expanded sea-lift, which has seen our tonnage into the North expand from approximately 8,000 tons five years ago, to over 115,000 tons last year.

We believe that national development depends on the provision of first-class transportation facilities to assist free enterprise develop the resources with which we are so richly endowed. It will continue to be the purpose of this Government to make these transportation facilities available so that our country may be developed as rapidly as possible. Such development will mean jobs for our people, and a steadily-rising standard of living for our country.



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 60/21

WESTERN POLICY RE-EXAMINED

A speech by Prime Minister Diefenbaker
on June 5, 1960, at Depauw University,
Indiana.

... I do not intend today to indulge in retrospective judgments about the failure of the summit conference in Paris. Various explanations are possible and there is no shortage of experts and commentators to argue the merits of their interpretations. On this point I would say only one thing: that what happened in connection with the summit meeting demonstrates how fragile is the state of confidence between nations, and how long and hard and stony is the pathway to peace.

It may be that in North America the longing of men and women for peace is such that we have been psychologically too ready to assume an attitude of optimism. If this is so, and if we have been jolted into a realistic assessment of the international outlook, then the breakdown of negotiations among the major powers may have done a service to mankind.

Khrushchov-Pavlov.

I believe that it is well for the free nations to be reminded of the baffling unpredictability of Soviet tactics in international affairs. Mr. Khrushchov and his comrades in the Kremlin are specialists in the application of the technique of carrot and stick, of alternating smiles and threats. They do not lack a theoretical foundation for their policies but sometimes it appears that they have adapted to their purposes, for international use, the Pavlovian theory of psychology as practised on dogs. According to this theory the way to break down a dog is to apply positive and negative stimuli, and in turn to be nice, unkind or cool, to feed it, forget it, ring bells, flash lights, so that the dog will go all to pieces in a desperate effort to make head or tail of what is going on.

No doubt the Soviet leaders would take pleasure if by the sequence and substance of their pronouncements they could induce the Western nations to lose their equilibrium. Let us resolve to deprive them of that hope.

What of the future? Where do we go from here? What are the problems to be faced? And what measures should the West apply to their solution?

Let us begin with the North Atlantic Treaty Organization, upon whose strength and cohesion the United States and Canada are dependent for their security. The NATO reaction to the failure of the summit meeting has passed through stages of disbelief, dismay, and disappointment, but at no time defeatism. The calm steadiness shown in Paris by President Eisenhower, President de Gaulle, and Prime Minister Macmillan in the face of provocation has been reflected in the alliance as a whole. NATO has not lost its balance in the face of the recent crisis, and it remains a central, indispensable instrument of United States and Canadian defence and foreign policy.

What I am about to say about the future of NATO in no way arises from a lack of confidence in the alliance, or from doubts as to its future usefulness. My concern is the concern of one determined to build higher on strong foundations. I believe that there are certain principles and objectives which should govern the conduct of the alliance and which need to be re-examined at this time.

Basic NATO Principles.

First among these is the need for increased emphasis on the processes of consultation among all members of the alliance. Human friendships fade if they are neglected or taken for granted; in the same way an alliance of nations cannot achieve the full measure of its collective impetus for the common good unless its members persistently devote themselves to the pursuit of the collective interest. It needs constantly to be recalled that NATO is an alliance of sovereign states each bearing its own responsibility for the safeguarding of peace, each with its survival at stake. A special obligation falls on the larger, more powerful members to make a reality of consultation, and to reconcile the responsibilities of leadership with those of true partnership. I tell you frankly that, although in recent months considerable progress has been made in NATO consultation, still more can be done towards the assurance of a genuine and fruitful state of partnership in NATO. There is no substitute for intimate consultation on a basis of mutual trust. Nothing less will suffice if the alliance is to survive.

NATO's Future.

There is a need too for a searching re-assessment of NATO's future. Last December the United States Secretary of State, Mr. Herter, called upon NATO governments to embark on long-range planning for the 1960's. I believe that it is now more important than ever to give a sense of direction and purpose to this planning. There is no shortage of projects requiring study:

- How will the responsibilities of the alliance develop over the next decade?
- What estimates can be made of changing military requirements?
- How can we ensure that military requirements are co-ordinated with, and yet do not submerge, our political aims and objectives?
- What more can be done to ensure that progress achieved in military co-operation is not discounted by economic or political rivalries which weaken the collective effort?
- How can NATO's purposes be explained to the uncommitted nations so as to reduce suspicion and misunderstanding of why the alliance exists and what it stands for?

All of these and many more questions demand the active attention of member governments. I believe that they should be studied with a sense of urgency over the next several months in the NATO Permanent Council.

I further believe that, as this preparatory work develops, the member states should give serious attention to the calling of a NATO conference at heads-of-government level, so that those who have the responsibilities of leadership might join in a carefully-prepared, collective effort to chart new courses for NATO in the years ahead.

While this process of re-examination is going forward it will at the same time be essential to deal purposefully and intelligently in our relations with the Soviet Union. We must not be blown off course by Mr. Khrushchov's bellicose verbosity, ominous as it may sound. The language of insults is best answered with restraint. The repetition of military threats has not proved effective in the past and will not in the future. I do not know what Mr. Khrushchov hopes to achieve by delegating to his generals the authority for world destruction. Such words underline the wisdom of strengthening the unity of the Western alliance.

Whatever the interpretation given to Mr. Khrushchov's tactics, a renewal of the state of frigid mutual isolation which marked East-West relations during the cold war must, if it is humanly possible, be avoided. Mr. Khrushchov must know that in a nuclear war the Soviet Union would suffer indescribable destruction. But events cannot always be controlled even by the most dominating of dictatorial leaders, and sometimes I wonder if Mr. Khrushchov realizes how damaging to peace, and how self-discrediting, is the language of vilification.

There is the danger, therefore, that the Soviet handling of the U-2 incident and the aftermath of the summit meeting in Paris could, if the West allowed emotion to triumph over reason, lead to a renewal of serious tension. How can the Western nations help to keep the temperature down?

West Must be Temperate.

First, whatever propaganda excesses may be indulged in by the Soviet leaders, let us in the West not reach in our turn for the lexicon of abuse.

In my reading of the press, I am disturbed from time to time that there are those in positions of military responsibility who indulge themselves in the dangerous course of vocal rocket-rattling. I can think of no more sterile or irresponsible use of the responsibilities of office than a tendency to brandish the symbols of military power.

Secondly, President Eisenhower has made clear his determination that, while Western vigilance must in no circumstances be relaxed, contacts with the Soviet Union must be maintained and relations conducted in a business-like manner. The Canadian Government supports the President's position. We consider that it offers the only reasonable avenue for the conduct of relations with the Soviet Union. The inability of East and West to begin summit discussions in Paris does not deny the importance of establishing processes of negotiation. It is essential for the West to pursue whatever fields of contact exist with the Soviet Union, notably, at the present time, on nuclear weapons tests and disarmament. Nothing could damage the Western interest more than to refuse to treat these negotiations seriously.

Latest Soviet Arms Proposal.

A few days ago Mr. Khrushchov produced another version of his earlier disarmament plan. It is an elaborate document and demands, and will receive, careful study in the Committee of Ten Nations which resumes its negotiations in Geneva on Tuesday, June 7. Much will depend, in estimating the significance of the new plan, on its provisions for inspection and control, for no disarmament plan can be motivated by serious intent unless it contains practical verification procedures.

It is obvious from the fanfare with which Mr. Khrushchov paraded his new plan that the propaganda effect was to the forefront, but the important thing for the West is to determine whether in a package wrapped to appeal to world opinion there may be some item of genuine value. However unacceptable the contents may appear on first inspection, I hope that the West will never allow itself to be accused of dismissing any proposal without careful scrutiny.

There is much public discussion at this time of the prospects for a future renewal of summit contacts. The important thing is to work towards the creation of conditions in which effective discussion can take place. The present atmosphere is clearly not propitious, and it may be that, in order to emerge from the present state of broken confidence, we should not be too hasty to get back on the climb to the summit. A premature meeting at the summit level would be worse than none at all; the aim should be to restore through patient preparation the necessary degree of confidence to enable productive discussion among the major powers at the highest level.

"Open-Skies" Offer.

Let us take steps to show that, notwithstanding our determination to defend our freedom, aggression is not our purpose. President Eisenhower has spoken recently of an "open-skies" proposal whereby, perhaps under the agency of the United Nations, a system of aerial inspection might be introduced in order to forestall the terrors of surprise nuclear attack. I have already on numerous occasions made known the Canadian Government's willingness to open Canadian territory to international inspection, and I have gone further, to the extent of offering to the Soviet Union the right to inspect Canadian Arctic territory in return for reciprocal concessions from the Soviet side. This offer was disregarded by Mr. Bulganin and later Mr. Khrushchov, with whom I corresponded. But the offer stands and it is the Canadian Government's intention, if the occasion arises, to be among the sponsors of any international effort that may be made in the United Nations toward the achievement of an aerial inspection agreement to guard against surprise attack.

Finally, in speaking of the problems we face, we must look not only within the limits of the Western community of nations or to our relations with the Soviet world, but beyond to that vast section of the world which by the accident of history and geography is less developed and less fortunate than we. For one quarter of the world's population the per capita income is not more than \$100 a year. These figures illustrate the scope of the problem and acquire an even more frightening character when it is realized that 250,000 babies are born every day, that in 40 years the population of the world will double, and that this increase will be taking place largely in those areas of the world which are still underdeveloped.

Aid Programmes.

I do not need, in view of these statistics, to underline the arguments for sacrifice on the part of the industrialized countries in the field of economic assistance, including exchanges of experienced personnel. The United States

has been generous, even lavish, in its programmes of assistance in all forms of foreign aid. Canada too has done its part. Canadian contributions up to the end of March 1960 have been estimated at \$4,422 million, or about \$250 from each Canadian, which compares very favourably with per capita contributions from other Western countries.

There is no alternative to continuing with, even increasing, this type of international assistance and co-operation. Until the day comes when the less-developed nations expand their capacity to trade and achieve self-sustaining growth, there is an unanswerable argument in favour of assisting them. It was with this argument in mind that, at the recent meeting of Commonwealth Prime Ministers in London, it was decided to begin work on a programme of economic aid to the emerging nations of Africa, the largest remaining area where international assistance has yet to be launched on a scale remotely consistent with present and future needs.

S/C



CANADA

STATEMENTS AND SPEECHES



INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 60/22

AFTER THE SUMMIT COLLAPSE

An address broadcast by Prime Minister
Diefenbaker on May 19, 1960.

... Why did Khrushchov destroy the hopes of mankind in the summit meeting? Was it, as he would have the world believe, because of the American aircraft over Russia? Yesterday, in the course of his press conference, he gave himself away when he revealed that this incident was only an excuse, for he said he intended to speak to the President about such flights when in the United States last September. As he said:

"I almost opened my mouth to speak of U.S. intelligence flights over Russia but the atmosphere was so convivial that I thought: Why raise this matter with this friend then?"

He has stated on another occasion that he overruled the wish of the military authorities to bring down an intruding plane.

Khrushchov's Motive.

This removes any suggestion that the attitude he took at the conference was dictated because of the recent event. It would seem to indicate that he had decided some time ago to wreck the conference because he had found out that the United States, France and Britain would not meet his wishes if doing so meant sacrificing the entire population of West Berlin. He simply did not want the conference to take place even though he had asked for it for more than two years.

It would appear that he has been having difficulties with the military authorities at home and was also being opposed by the Communist Chinese in his expressed wish to follow a more peaceful policy. It is worth noting that Peking's leaders have been uttering some very frightening statements recently. Their Defence Minister stated that "hundreds of millions strong can overwhelm the enemy in the flame of an all-out people's war".

There has been concern expressed about the way the United States has handled the aircraft matter. This is not the time to enter into criticisms or recriminations of our friends, but I think it is important that we of the free world should recall the Soviet provocations of the past - its breaking of pledges; its organized espionage which Canadians have such good reason to recall; its armed intervention in the affairs of other countries, and its continuing enslavement of entire nationalities.

Arms Inspection Rejected.

These facts speak for themselves. The frightening and sinister cold war, which may now be resumed, has been the traditional Soviet instrument of internal-political control of Russia and its enslaved populations. The free world has long suffered, and the Soviet has rejected, by excuses and delays, an effective system of international armament inspection which they must know is the only possible basis of world disarmament.

Unity is the only hope of survival for the free world. Anything that is said or done at this time by any of us, as nations or individuals, which will weaken that unity will be a service to the U.S.S.R.

Unity to the Western world has built the great defensive alliance of the North Atlantic Treaty Organization without which Soviet aggression and domination would have pressed forward to overwhelm the free peoples of Europe and America.

Complacency Destroyed.

The West has been shaken from whatever complacency may have been developing in the minds of some people about the ruthlessness of the methods and the reality of the objectives of Communist strategy in world affairs. Their ultimate and declared aim is world domination. It must now be clear to all how suddenly the proffered handshake can become the shaking fist; how quickly the smile of professed friendship can become the scowl of terrible hatred.

We must not now give way to fear or panic. The need of the hour is cool heads, calm decisions and the determination to maintain our defences against aggression, while losing no opportunity to bring about peace through negotiation.

Defence is costly and expenditures must be carefully watched to assure the highest returns. While much public emphasis in the press and Parliament has been given to the development of the "Bomarc", how many Canadians realize that the amount that will be spent on the "Bomarc", if and when proceeded with, will be a total of \$15 million in three years, or, to put it another way, 35 cents out of every \$100 of defence expenditure.

... Yesterday, in the House of Commons, it was heartwarming to have the essential unity of Canadians expressed by all parties, when I gave the views of the Government of Canada on the situation resulting from the break-up of the summit conference. Although disappointed, the Canadian Government will continue to press for disarmament, while maintaining our defences until there is adequate inspection. We shall continue to give leadership to the ending of nuclear tests. We shall continue to press for negotiation instead of force in the settlement of international difficulties. Until these aims are attained our defences must be maintained.

While there are some who contend that we should provide our defence by ourselves, that is impossible for any nation in the free world.

Now I shall say something of the Prime Ministers' Conference in London, where eleven leaders of one-fourth of the world's population met in family conference.

Race Discrimination Condemned.

Much has been said regarding the question of South Africa and the policy of apartheid which has been in effect since 1948. Through the years I have taken a strong stand against racial discrimination. Indeed, I said long ago that the Indian population of Canada ought to have a representative in Parliament and should have the vote. After the present Government assumed office the Indian population was given its first representative in Parliament when James Gladstone was appointed a member of the Senate of Canada. And at the present session the Government brought in legislation which will, for the first time, give all Indians the vote in Canada without in any way taking away any of their rights.

I abhor discrimination and always have. As I said in the House of Commons several weeks ago, no nation can win a race war. The equality of man, whatever his race and colour is a principle that must be accepted. This is so because the brotherhood of man denies any other view, and because Communism is advanced whenever Christians allow themselves to practice discrimination.

Before the Conference several of the Commonwealth Prime Ministers, including Mr. Macmillan, Mr. Menzies, and Mr. Nash (the latter the leader of a Socialist Government), took a strong stand, which was also my view, against having the subject discussed formally or placed on the agenda of the Conference. To have done this would have been to bring about a departure from a principle that has always been accepted that the affairs of any one country are not discussed officially at Prime Ministers' Conferences by the other member countries.

The Commonwealth Prime Ministers' Conference met, and all of its representatives - of various colours and races - unanimously agreed that this was the proper and only course to take.

Dignified Restraint.

Mr. Nehru, President Ayub Khan of Pakistan, Tunku Rahman of Malaya, the Minister of Justice of Ceylon and Dr. Nkrumah of Ghana discussed this matter informally with the representative of South Africa with dignity and restraint, and out of the Conference came a unanimous -- and I emphasize unanimous -- expression of view by all the countries that the Commonwealth, being multi-racial, requires "the need to ensure good relations between all member states and people of the Commonwealth".

In an informal meeting, I told Mr. Louw, that Canadians repudiated the South African policy as a denial of the principle that human dignity and the worth of the individual, whatever his race or colour, must be respected.

The Government of South Africa indicated that a referendum later this year will be held as to whether South Africa should be a republic, and if having so decided it wishes to remain a member of the Commonwealth it will then have to ask and will require the consent of all Commonwealth Governments.

I believe that the unanimous acceptance of the terms of the official communiqué is convincing evidence of the fact that the day is not far distant when the acceptance by members of the Commonwealth of certain norms or basic principles of equality of all races, colours and creeds will be generally accepted.

The course I followed is what I believed to be right in spite of honest and well-intentioned criticism with which it was met and that course was unanimously upheld at the Conference by all the countries, whatever their colour.

In recent years Asian countries have been receiving aid and assistance under the Colombo Plan to raise their standards. Africa is the most underdeveloped region of the world and I feel that it is urgent and compelling that action be taken to provide assistance to the new countries of Africa as they become free and independent.

The Conference showed that each of the members, in a spirit of understanding, was conscious of, and concerned with, the welfare of all members....



STATEMENTS AND SPEECHES



INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 60/23

CONVERSATION IN WASHINGTON

A statement by Prime Minister Diefenbaker
on June 6, 1960, to the House of Commons.

With the permission of the House I should like to report in general on the visit which I made last Friday and Saturday to Washington at the invitation of President Eisenhower. As I pointed out on my arrival there, this was not a formal visit; it was the kind of call which one makes on a close neighbour with whom one is on friendly terms and with whom one is in the habit of talking over matters of mutual interest.

I particularly point out the warmth of the welcome extended to me because I represented Canada, both by the President himself, his Secretary of State and all the officials and members of the public with whom I came in contact. We are bound to have differences between our countries, as friends and neighbours will, but beneath the surface of whatever intermittent strains may arise in our relationship there is a vein of continued understanding and goodwill that springs not only from our heritage but also from the common sense of the importance of being united in safeguarding common values.

I am going to refer to one or two of the matters which were discussed, although I know the House will not expect me to go into any detail on the substance of those talks. We found ourselves in agreement with regard to the circumstances which led to the summit failure and also the position which the Western nations should now adopt individually and within the NATO alliance in their relations with the Soviet Union. The need is to establish and preserve an equilibrium between the maintenance of defensive preparedness on the one hand and on the other a continued readiness to retain existing contacts with the Soviet world and extend those contacts on the basis of mutual agreement whenever the opportunity arises.

Future NATO Policy.

I discussed with the President matters connected with the future policies in NATO. I expressed the view that

the time had come for the NATO nations to re-examine the capacity of that alliance to deal with the problems which lie ahead. Hon. Members will recall that at the Ministerial Meeting of NATO last December the United States Secretary of State proposed that a study be made of long-range planning for the 1960's. My view, which I expressed to the President, was that recent international happenings had increased the urgency of undertaking this study.

The United States is already engaged in preliminary work along these lines. My view was that, after that study had been fully proceeded with, the NATO governments should give early and serious attention to the holding of a meeting at heads-of-government level in order that those who have the responsibilities of leadership may join in a collective effort to establish and sketch new lines of endeavour for NATO in the years ahead. All of us are fully conscious of the importance of thorough preliminary consultation, for unless we achieve the free inter-flow of ideas and suggestions in the future we cannot take advantage of the opportunity to open up new and secure paths of progress for the alliance.

I further stated that should it be agreed that a heads-of-government meeting of NATO should take place, Canada would be prepared to extend invitations to the NATO leaders to hold that meeting in Canada.

Aerial Inspection.

I discussed with the President the proposal which he put forward first in 1955, and to which he referred in recent public statements, that consideration should be given to a system of aerial inspection as a means of removing the threat of surprise attack. In that connection, he pointed out the views expressed by the Leader of the Opposition in support of action in that direction. The President confirmed that study was being given to the "open-skies" proposal. I said that such a proposal, if and when advanced in the United Nations, should have co-sponsors and that Canada would join in sponsoring an appropriate resolution in that regard.

Other subjects were generally of an international nature, the outlook for progress on disarmament and the ending of nuclear-weapons tests. There was agreement on the importance of pursuing negotiations on these matters which would serve at the moment as important and continuing points of contact with the Soviet Government. Information on the most recent Soviet disarmament plans as enunciated by Mr. Khrushchov was not available in comprehensive form and it was therefore not possible to discuss this development in any detail. However, as the Secretary of State for External Affairs said in the House last Friday, although the Soviet proposals are heavily weighted in propaganda aspects, the Western nations should demonstrate a readiness to examine them with serious intent, and the agency for that consideration exists in the 10-nation Committee on Disarmament which will resume its deliberations tomorrow in Geneva.

U.S.-Canada Relations.

As for the bilateral relations between the United States and Canada, various aspects of policies affecting the two countries jointly were discussed, including continental defence and problems in the trade and economic fields. We spoke frankly about the concern that Canadians feel over recent United States wheat surplus disposal policies which could damage Canadian wheat export markets, particularly in Latin America and Africa. However, I think I can sum up the general feeling and the attitude that was shown during these discussions by reading the words of the communiqué and drawing particular attention to those in the concluding paragraph:

"The Prime Minister and the President reviewed the course of relations between their countries during recent years and noted with pleasure the extent to which the problems arising in such relations have yielded to the process of friendly and continuing consultation. They considered that satisfactory means of carrying on such consultations have been established in personal exchanges as well as by regular diplomatic arrangements and the various joint committees that have been created. They expressed their belief that there has been established between the two countries a model for the relationship between neighbours."

Again I repeat... that the unusual warmth of the welcome and the expressions not only of friendship but of a desire to co-operate in every way so as not to cause harm one to the other was most apparent, and I must publicly express my thanks and appreciation for everything that was done on the part of our great neighbour to show its feelings toward our country.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 60/24

CANADA AND LATIN AMERICA

A report to the House of Commons by the
Secretary of State for External Affairs,
Mr. Howard Green, on May 30, 1960.

Perhaps the House will excuse me if I take a few minutes to give a short report of my trip. The purpose, of course, was to attend the celebrations commemorating 150 years of independence of Argentina and also while in South America to pay brief visits to Chile and Peru.

Roughly speaking, I had in mind furthering the goodwill between Canada and the Latin American countries and also endeavouring to learn something about our Southern neighbours.

I must say at once that I was very much impressed by all those countries which I had the good fortune to visit. Argentina is, I found, very similar to Canada. Of course, they have ranches producing wheat and cattle. They have the great port of Buenos Aires, one of the main ports of the world, and also they are active in the Antarctic just as we are in the Arctic. The population is slightly larger than that of Canada. Argentina ranks in the world today as a middle power, in the same status as our own nation.

There I had a very helpful conference with the President of Argentina and the Foreign Minister. In fact, I had two with the Foreign Minister, having been invited to dinner at the Brazilian Embassy with him by the Foreign Minister of Brazil, Hon. Mr. Lafer, who made such a friendly visit here a few months ago.

Argentina had over 90 delegations visiting the country for this celebration. That did not mean 80 foreign ministers; of course all the heads of delegations were not foreign ministers. It meant that they were entertaining five or ten times as many as 80, which is quite a big exercise, and they did it in an extremely efficient and friendly way. I think it did them great credit.

Of course one had opportunities for meetings and discussions with other representatives, other foreign ministers and other ministers and heads of delegations from various countries. As I

pointed out a moment ago, I had more than one occasion for discussions with Mr. Lafer, of Brazil.

Argentine Armed Forces

There were, of course, many important events. One was the celebration of the Te Deum in the Cathedral of Buenos Aires, which was a most impressive ceremony. A state dinner was given by the President and there was a military parade which took four hours to pass and which was extremely good. I was very much impressed by the young men of Argentina who participated in it. There were men not only from the navy but also they have marines; infantry and also paratroops, ski troops for the Antarctic and mountain troops for the Andes. They have a very impressive force. Also participating were small forces from the neighbouring countries and, significantly, forces from Spain were given the place of honour at the head of the parade.

In Buenos Aires they have one of the finest theatres in the world. It ranks, I think, as the third best in the world. There was an excellent ballet performance one evening with ballet companies from Paris, Buenos Aires and London.

There was one visit I paid which might be of interest ... It was to a school in Buenos Aires. They have two schools there, one elementary and one secondary, which are named Canada schools. I visited one of those schools. It was a holiday but the children had all been brought out to meet the Foreign Minister from Canada, and that was quite a test. I did not find out this was happening until the children had all gone home. There they were. They all wore white smocks, both the boys and the girls. They had a Canadian flag and the flag of Argentina. They sang songs and a very nice speech was made by one of the teachers but as it was in Spanish I did not get the full drift of it. In any event, this was a very wonderful lesson to me with respect to the way in which goodwill can be spread among the nations.

When I was speaking to the youngsters afterward I asked the girls whether their mothers washed their smocks or whether they did and they admitted that their mothers did. I said, "Don't you think that is terrible? Why don't you do it yourselves?" One little girl looked at me and said, "Who washes the smocks in Canada?" This had me floored and they laughed at that. One of these schools is affiliated with a school in Toronto and I am hoping that a secondary school will be affiliated with a high-school in the remarkable riding of Vancouver Quadra. Other schools are named after other countries. Our Ambassador is helping by getting reading material to these schools and to further understanding the children are supposed to write to children in Canada and vice versa.

Chilean Tragedy

In Chile I found great tragedy. I visited the Minister of the Interior, who is in charge of the relief measures. He told me they had over 500,000 people homeless in the stricken area, and with winter coming on and the season of heavy rain the whole situation is very serious for them. I also visited the Minister of Finance and the Acting Minister of Foreign Affairs. It will cost at least half a billion dollars to repair the damage that has been done. Roads have been destroyed. Homes, public buildings, wharves and harbours have been destroyed. They do not know what has happened to the harbours. Much of the shoreline in that part of Chile has been changed. New islands have come up out of the sea and old islands have been submerged. There are also four new volcanoes.

All this has happened in one of the country's very best regions, a district where they have their only steel plant and their only pulp and paper plant. People in the capital of Santiago could not get word of what had happened to their relatives in the earthquake zone. People were sitting outside the office of the Minister of the Interior trying to find out something about their relatives. We saw quite a few trucks heading south with bedding and all sorts of materials for the people there. On the airfield at Santiago there were huge United States "Globemasters". The United States at once flew two large mobile hospitals to Chile, these hospitals having over 250 beds each. Not only did I see "Globemasters" at Santiago, but there was also another at Antofagasta on my way north and at Lima, Peru, there were two or three more. From all over the world help was coming for these people.

The people of Chile have shown remarkable courage. The Ministers were under terrific pressure, of course, and had been working day and night. Disaster struck the country just when it was recovering from a very difficult period economically. They do not know how they will bring about rehabilitation under these conditions. This is the worst disaster they have ever suffered but I am sure that every Canadian, if he could be there, would admire the way in which the people of Chile are facing this tragedy.

Last Saturday night, I believe, 10 cases of clothing were shipped from Vancouver by the Canadian Red Cross through the courtesy of Canadian Pacific Airlines. Forty-eight cases of new, not used, clothing as well as medicines have also been sent to Chile by our Red Cross.

One of the most urgent requirements was for mobile hospitals of a smaller size. The large United States mobile hospitals were very helpful but it was difficult to get the injured people to the large centres. So the Chilean Minister of the Interior asked if we could send a small mobile field hospital. Through the co-operation of the Departments of National Defence and National Health and Welfare complete medical equipment for a 30-bed field hospital, together with

40 stretchers, 160 blankets and extra instruments and dressings, was dispatched Saturday afternoon and will be in Santiago tomorrow. In addition, 50,000 water-sterilization tablets, 10,000 penicillin and 10,000 tetracycline tablets and 40 pounds of refrigerated anti-tetanus toxoid and tetanus vaccine were also sent.

More Help Needed

I think further help will be needed and provision has been made for some help in the way of food. The Minister asked for flour and canned meats and 1 million pounds of canned pork has now been turned over to the Gold Cross by the Department of Agriculture and will be forwarded without cost to Chile. This pork is worth \$600,000. We shall be doing what we can to help in this very tragic situation and it may be that we will have to ask the house for authority to give further assistance. The Chileans were deeply grateful for help and, as I have said, help is coming from all over the world. This is one of the great disasters of our time.

I flew up the coast to Lima, Peru, on Friday afternoon. Lima was the seat of the Viceroy of the old Spanish days. It is a city of over a million people, as is Santiago; and Buenos Aires, of course, has between four and five million people. In Lima I had conferences with the President and with the Prime Minister. I met him on two occasions and had very useful talks with him. He has been in Canada and the United States and is doing an outstanding job. He is the owner of La Prensa, one of the leading papers in Lima. Incidentally, I also met Dr. Gainza Pas, the owner of La Prensa in Argentina. Both of these men have suffered for freedom of the press. Dr. Gainza Pas, as you know, fled Argentina a few years ago. His actions have been hailed all over the world and, of course, from coast to coast in Canada. The Prime Minister of Peru was in jail at one time because of the views he had put forward in his paper.

On Saturday afternoon we had a reception for Canadians in Lima. The delegation received an exceedingly warm welcome there as we did in each of the other places we visited.

In Mexico City yesterday I was met at the airport by Hon. Mr. Tello, the Foreign Minister. We had a very helpful talk. He drove me to the University of Mexico, which has 50,000 students and provides a good objective for Canadian universities in the way of buildings and developments of that type.

Brasilia

On the way down we landed for gas at Brasilia. It was planned to go to Rio, which we did eventually, but at that time it was fogged in and we landed first at Brasilia. This is the most impressive development I have ever seen. I had read a great

deal about it but that is different from actually seeing this brand-new capital carved out of the woods, with huge apartment buildings and government buildings that must have cost a great many millions of dollars. It will be a wonderful capital and it means so much to the people of Brazil as a symbol of their development and of the great nation they have become.

In all these countries our Canadian ambassadors and their staffs are doing a splendid job for Canada. In a very real way, they are in the front line in our relations with other countries, and I found them all doing a splendid job.

Role of Canada

All of these countries are very much interested in Canada. They are very friendly. Their outlook on world affairs is very much the same as our own. They place great value on their independence. They are all strong supporters of the United Nations and, as a matter of fact, each one of them has had a President of the United Nations - that is, Brazil, Argentina, Chile, Peru and Mexico. I think one of them has had two Presidents of the United Nations. Canada has always enjoyed the co-operation of these countries in the United Nations, but they are deeply puzzled that Canadians do not seem to realize that Canada is a very important member of the Western Hemisphere family. I met this attitude everywhere I went, just a little feeling that Canadians are of the opinion they do not want to be too much involved with these Latin American nations.

I can only say to the House that each one of these countries would make a very staunch friend of Canada. They are all playing a very important part in world affairs, and they are steadily growing in stature. I believe it will not be very many years until there are more people south of the Rio Grande than there are north of it. I think that Latin America is on the move. These nations, as I have said, are very much like our own, and I believe are extremely important to Canada.

I cannot go farther than that with regard to Canadian policy at the moment. I do say this, however, that the policy of the Government has been and is to further improve the good relations which exist between Canada and the Latin American nations. For example, I plan to set up in the Department of External Affairs a Latin American Division. At the present time we only have a sub-division dealing with Latin American business, but it is far too important to be treated in that way. We have very much in mind the need for closer co-operation with these Western Hemisphere neighbours of ours and steps will be taken toward that end.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

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No. 60/25

A PROCESS OF BALANCED CONCESSIONS

A statement by the Secretary of State for External Affairs, Mr. Green, to the House of Commons on June 15, 1960.

Yesterday ... the Hon. Member for Essex East (Mr. Martin) asked about the disarmament conference, and today there may be further questions arising from the tabling by the Prime Minister yesterday of the exchange of letters between himself and Mr. Khrushchov about the latest Soviet disarmament proposals. Perhaps I could deal with this situation by making a brief statement on the Canadian position at this time...

In the Canadian view it is important that in these negotiations all ten nations represented on the Committee should lose no opportunity to explore every possible avenue of progress in disarmament. The Canadian delegation has constantly in mind, and tries to make certain that the whole Committee bears in mind, that not only two nations or ten nations but all the nations of the world have a vital interest in disarmament. It is certain that the members of the Committee will be held to account by the other nations of the world if they neglect opportunities for progress in disarmament.

It was in this spirit that the Prime Minister replied to Mr. Khrushchov's letter forwarding the latest Soviet proposals. The Canadian Government wants these proposals to receive a patient and searching examination in the Ten-Nation Committee, as marking the opening of a phase of detailed, business-like and uninterrupted negotiations. We believed there should be no hasty, ill-considered reaction to the new Soviet proposals, but the most careful and constructive examination of these proposals in the Committee which circumstances permit. General Burns has been instructed accordingly, and I am happy to say that the other members of the Western Five on the Committee fully share this view.

I am particularly glad to report this unanimous view of the Western representatives because, as the House is aware, the members of the Western group have had their differences from time to time in the past. The Canadian delegation for its part has, on several

occasions, been instructed to present views contrary to those expressed by other members of the Western Five, whenever this seemed warranted. We would not hesitate to authorize the Canadian delegation to follow a similarly independent line again if circumstances so dictated. But for the present no such need exists, and M. Moch has rightly stressed the solidarity of the Western Five ... The Western Five advanced their proposals some time ago and indicated their willingness to enter upon detailed negotiations. The Eastern nations are now speaking in support of the new Soviet proposals of June 2, and have indicated that these provide a basis for negotiation. These latest proposals are now being further explained by the Eastern countries, partly as a result of questioning by the Western members of the Committee.

In the course of this clarification, on June 9, General Burns pointed to several examples of ways in which the new Soviet proposals represent an advance over earlier Soviet positions; for instance, with respect to the prohibition of weapons of mass destruction in outer space; the control over launching of rockets for peaceful purposes; the provision for a joint study of the cessation of production of nuclear weapons and destruction of stockpiles; and the inclusion of measures for peace-keeping machinery in accordance with the United Nations Charter. In making this statement, General Burns emphasized that the Canadian delegation wished to approach the new Soviet proposals in the most constructive way. He chose the examples I have mentioned because they are among the measures to which the Canadian Government attaches special significance.

It is my view that the time has come, perhaps through an examination of equivalent features of new Soviet proposals and the Western proposals, to begin a process of negotiation of balanced concessions. This was the sort of package approach to which I referred earlier in the House when I reported on the NATO Ministerial Meeting at Istanbul. I should like to emphasize, however, that by "package", I do not mean that the one side or the other should hold out for its present proposals on an all or nothing basis; the packages I have in mind, as I have tried to explain, are smaller and would contain provisions of equivalent significance to both sides. The goal would remain general and complete disarmament under effective international control, but it would be accomplished by a stage-by-stage process throughout which concessions would be balanced in such a way that neither side would obtain a temporary military superiority.

For the first time in these negotiations the Soviet delegation had admitted that there will have to be some sort of international machinery to maintain peace in a disarmed world. The proposals are also considerably more detailed and therefore less obscure than the proposals Mr. Khrushchov made to the General Assembly of the United Nations in 1959. They also make some provision for the initiation of a process of study before measures of disarmament

are actually taken. This is important, because no responsible government will agree to any disarmament proposal, much less a complex of disarmament measures, until it has reached a clear understanding with the other governments concerned of the exact implications of agreement.

Therefore I believe that attention should now be given to the possibility of negotiating on parts, if not on the whole, of the two plans. In the course of the next few days in Geneva General Burns will be making suggestions as to how this necessary process might be undertaken through joint studies.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)



No. 60/26

FAILURE AT GENEVA

A statement by the Secretary of State for External Affairs, Mr. Howard Green, to the House of Commons on June 27, 1960.

I am afraid the Ten-Nation Disarmament Committee has been scuttled by the action of the Eastern members this morning. I spoke to General Burns earlier in the morning, and apparently there were at least two Western speakers on the list to participate in the discussions this morning. Mr. Zorin, the chairman of the Soviet delegation, had been told by Mr. Eaton, the chairman of the United States delegation, that there would be a Western proposal submitted later this week. This was before the Committee actually met.

When the Committee did meet under the chairmanship today of Mr. Naszkowski of Poland, Mr. Zorin made a statement in which he accused the Western members of the Committee of refusing to negotiate, and made other charges, and said that the Eastern members would be carrying their proposals to the United Nations. Then, in spite of the fact that Western members were trying to get the floor, the Polish chairman refused to allow any of them to do so. Instead he called on each of the other four Eastern members, and then he and the whole Eastern delegation stalked out. Therefore no representative of the Western nations was permitted to speak at all. When this happened Mr. Ormsby-Gore, the head of the British delegation, took the chair and Mr. Eaton tabled the United States plan. Of course that was all that could be done at this meeting.

I should like to explain to the House that the Soviet plan was issued with a great flourish of trumpets just a day or two before the ten-member Committee resumed its sitting, which I think was on June 2. All the foreign ambassadors in Moscow were called in and given copies of the Soviet plan. In reporting to the House I said then that there were heavy propaganda overtones to the introduction of this Russian proposal.

Once the meetings of the Committee had commenced, the Western delegates endeavoured to get clarification of the various points in the Eastern proposal, and made various suggestions. For example, the head of the Canadian delegation, General Burns, made a very useful speech on Friday last. I have not yet received the verbatim report of his remarks, but when I do I will probably ask for leave to table it. In addition, of course, there have been discussions going on among the four Western nations concerning what reply should be made to the Soviet proposals. The Canadian reaction to the Soviet proposals was duly given to General Burns some days ago. It has been important that in the work of this Committee the Western nations should work together as closely as possible. Of course the Eastern nations do not have that problem, because the four, apart from the Soviet, simply appear to do exactly what they are told by the Soviet.

The United States completed their reactions to the Soviet proposals late last week, and we received a copy on Thursday evening. There have been consultations in Geneva over the week-end concerning the United States proposals and proposals which had been put forward by the other four Western nations, including Canada, with the intent that there would be a Western plan announced within the next day or two. In addition, the Western plan was to have been taken before the Permanent Council of the North Atlantic Treaty Organization probably today or tomorrow, but certainly early this week, and then it would have been presented in the Committee of Ten.

I am not yet in a position to table the Canadian proposals in response to the Russian suggestions or to the United States proposals -- to which, incidentally, they were very close -- but in my opinion the new Western proposals and the Soviet proposals of June 2, which the Soviet bloc has now refused to discuss further, could have provided a basis for detailed, businesslike and uninterrupted negotiations. It now becomes obvious that the Soviet side were not seriously interested in negotiating on the last plan they put forward. I believe that their action in stalking out of the Committee as they did this morning was irresponsible, and was taken for propaganda purposes. We will now hear great talk in the United Nations General Assembly about the wonderful plan the Soviets proposed, and there will be charges made that the Western nations refused even to discuss it. I believe further, ... that the Eastern side have overplayed their hand again, just as they overplayed their hand in the breaking up of the summit conference a few weeks ago.

Canada, from the start, has been very much in earnest about the work of this Disarmament Committee. I believe that the Canadian Government, in following that policy, has had the support of every Member of the House regardless of the party to which he or she belongs, and also the overwhelming support of the Canadian

people. We shall continue to be very much in earnest and will do everything we possibly can to work out some solution to the problem. Unfortunately the problem still exists, and Canada will be willing to negotiate and, as I said, do everything she possibly can to help bring about a relaxation of tension.

Naturally these developments are a bit disturbing; but we are dealing here, I believe, with the survival of mankind. This problem we are facing is just that serious. I regret more than I can say that the Soviet and the other four members of the Eastern side should have deliberately walked out of these negotiations knowing that there was a proposal to be discussed within the next day or two. Apparently they were afraid of what would be in those proposals, in so far as world public opinion is concerned. This looks like a deliberate attempt to prevent the Western proposals from getting out to the nations of the world which have not been involved in the work of this Committee.

I take it, of course, that there will be no opportunity now for the Committee to do any further work. I understand that a message has been sent by Premier Khrushchov to the heads of government of the five Western nations, but we have not actually received that. This is obviously a deliberate step taken to try to upset the West and also to gain a propaganda advantage.

I regret having to give such a report to the House ... but I am afraid that is the situation. I suggest that Canadians should not be downhearted. This is a long road that we are on now and, as I said a minute ago, it is a road which may prevent the ending of civilization. I know all Canadians will do their part in an endeavour to see that some solution is eventually found.

S/C



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

No. 60/27

AN EXAMPLE TO NEIGHBOURS

An address by Prime Minister Diefenbaker to the Governors' Conference, Glacier National Park, Montana, on June 27, 1960.

... The United States and Canada, in unity, fraternity and common dedication, have a message for all mankind. The kinship that exists between our two countries is a vast "seamless net" of interwoven interests based on a common heritage and a common love of freedom, reinforced by the powerful impact of geography and impinging histories. It is well that this is so, for unity of purpose is an imperative necessity not only between our two nations, but among all free nations.

From our beginnings as nations most of this continent has been shared in goodwill and mutual understanding. Only in the long, long ago has either nation seriously disputed the rights of the other. By peaceful settlement of territorial disagreements, and in many other ways, we have shown that two nations, one the most powerful in the world, and the other with a population one-tenth that of its great neighbour, can live side by side in peace and amity, and with full respect for the rights of each other.

This is of world importance today, for the essence of Communist propaganda is that the United States is aggressively minded, and is dominated by aggressive political and military elements. Canadians can do much to interpret the United States to the world. Canada is a member of the Commonwealth which spans all the continents. Canadians can give a conclusive answer, based on fact and experience, to the false interpretation of the ideals and purposes of the United States which has been most effectively propagated throughout the uncommitted world.

Stern Challenges

Our two countries, and indeed all the Western countries, face stern challenges in the 1960's. Those who have the responsibilities of leadership cannot afford to shield their minds from the questions that will have to be answered in the immediate years ahead.

Massive tides of change are surging into the consciousness of mankind. Several areas of human endeavor will test the fibre and faith of the free world in the 1960's, including:

- (1) the relations between the Western nations and the Communist world;
- (2) the continuing and compulsive search for disarmament;
- (3) the problems associated with the world's expanding population.

In a world of tumult and storm, Canadians stand with the Western nations in an unshakable and cherished partnership of confidence, friendship and free co-operation.

Canada's stake in a peaceful future is no less than yours.

It is axiomatic that the ultimate national self-interest of all nations will be served by a reduction of world tension by agreement and without appeasement.

At a time when the trigger of destruction is so sensitive, the choice between peace and war is academic. There will be no world champions at the end of a nuclear war. The avoidance of war must be a policy objective of both East and West, but it cannot be overlooked that Communist leaders in China are more and more engaged in using the frightening language of aggression and seemingly prepared to contemplate a policy involving military risks.

Moscow-Peking Disagreement.

Recent Soviet histrionics have been interpreted by many to mean a return to the cold war. The platform of prediction is shaky, but some recent events may give the opposite interpretation. Last week in Bucharest, Chairman Khrushchov reiterated in explicit terms his contention, which represents the apparent antithesis of the Communist Chinese view, that war with the capitalist world is not the inevitable outcome of the East-West conflict. If that is so, the challenge from the Soviet bloc in the next decade will come more and more in the economic and political spheres, with the purpose of undermining the free world economically, and sapping its political strength.

The Soviet leaders believe that developments in the colonial areas are working to the advantage of the Soviet Union. They expect that, as these countries become independent, they will look increasingly to the Soviet Union and to Communism for support and guidance.

To meet the Soviet challenge demands the maintenance of strong defences while the search goes on for effective disarmament agreement. Canada considers that the centre of the defensive system of the Western nations must continue to be the NATO alliance, with NORAD being maintained on this continent as part of the responsibilities of the alliance.

The West must resist tendencies toward disunity, whether inspired by Communist tactics or by conflicts of interest among friends and allies. The pathway to unity lies in persistent and co-ordinated consultation. It lies, too, in ensuring that the direction of Western affairs is not concentrated in the hands of a limited number of major powers.

Canadians believe that whatever the discouragement and frustrations may be, the Western nations must continue their quest for an agreement on disarmament, without lowering their guard until it is achieved.

The negotiations for a treaty on nuclear tests have made progress that four or five years ago would have been unthinkable. The discontinuance of nuclear tests could be a long first step towards disarmament.

It is of the utmost importance that the West should not brand the Soviet proposals as nothing but a facade of propaganda. We must aim for the achievement of balanced concessions for neither side can afford to agree on measures which will result in military disadvantage to itself.

Paramount Task

Lifting the burden of hunger, poverty and ignorance which lies heavy on the backs of hundreds of millions of people in the under-developed countries of the world may well be the greatest task of this decade. Whatever we may be able to do about the other urgent issues which face our world, peace and prosperity for the West are not likely to endure long if three-quarters of the world's population must struggle to achieve even a minimum standard of living.

Empty stomachs cannot be fed by political theories or political institutions.

One of the great needs of the less-developed countries is food for the expanding populations. Every day another 250,000 hungry new mouths are born into the world, the majority of them in countries whose populations have already outstripped local food supplies. Yet, on the other side of the picture we see the spectacle familiar to Americans and Canadians of surplus food which cannot be sold at a reasonable rate of return to the producer.

Stable and prosperous countries are the best customers. If we can help the under-developed countries achieve a high level of political stability and economic activity, the benefits of their development will be shared by all the world's trading nations.

Canadians recognize that the United States has the leading role to play in development assistance, and that it has been playing that role since the war generously and as never before by any other nation, but this task is one in which all the better-off nations must participate.

Foreign Aid

As evidence of its determination to do its part, Canada has given \$4,422 million in all forms of foreign aid since 1945, including nearly \$300 million in bilateral aid to Asian countries in the past ten years under the Colombo Plan. Furthermore, Canada, along with other Commonwealth countries, has agreed to give urgent consideration to the economic development needs of newly independent nations in Africa.

Whether or not the Communists press their economic offensive everywhere in the world, the basic need for survival of free men is to maintain and co-operatively develop the economic strength of all the countries which are united in the stand against Communism. Nothing is more important in this than trade relations.

Canada is the fourth largest trading country in the world, next only to the United States, the United Kingdom and Western Germany. Canada and the United States have the largest two-way trade of any two countries of the world.

Canada-United States Trade

The importance of the United States-Canada trade is evident in the fact that in 1959 the United States absorbed 62 per cent of Canada's total exports, and supplied 67 per cent of all the goods Canadians purchased from abroad.

In 1959 the total of this trade was \$6.9 billion, of which \$3.7 billion represented Canadian purchases from the United States, and \$3.2 billion comprised Canada's sales to the United States. This means that Canada bought \$500 million more from the United States than she sold to it.

Almost every State shares directly in the export trade with Canada.

It is not generally known that Brooklyn sells more to Canada than does Argentina; that Louisville sells more to Canada than does New Zealand; that Detroit sells more to Canada than does Brazil; that Chicago sales are equal to purchases from West Germany; that Seattle sells almost as much to Canada as does Norway.

The Lakes' Border States -- Illinois, Indiana, Michigan, New York, Ohio, Pennsylvania and Wisconsin -- share 51.5 per cent of the total export trade with Canada.

The Eastern States of Delaware, Maryland, New Jersey, Virginia, West Virginia, Maine, Connecticut, Massachusetts, New Hampshire, Rhode Island and Vermont, share 16 per cent.

The Southeastern States -- Alabama, Georgia, North Carolina, South Carolina and Tennessee -- and the Gulf States of Florida, Louisiana, Mississippi and Texas share in 12.3 per cent of the total export to Canada.

Other States make up the balance.

Good neighbours are good customers, and good neighbourliness between our two countries is good business.

Americans realize that a more prosperous Canada will not only be a better neighbour, but a more effective bulwark against Communism on the North American continent and abroad.

The interests of individual States of the Union must be taken into consideration by the federal administration in the United States. In Canada, the interests of the Provinces must be weighed in national decisions. So, too, while the national interest of our countries must always be of importance, the long-term interests of the free world as a whole must be considered in the national economic courses which are taken by each and every one of the free nations.

While the United States has primacy in leadership in the free world, it must be recognized that an economically strong and ever stronger Canada is necessary for the preservation of North America and for the benefit of the free world generally.

Trade Imbalance

It is common sense that the large trade imbalances between our countries in favour of the United States, which have existed since the war, are of serious economic consequence in the long run. The United States exports mainly manufactured products to Canada. The United States purchases from Canada mainly raw materials, chiefly minerals, metals, newsprint and lumber.

Canada does not ask for favours, but the reduction of this imbalance requires that there be greatly increased imports of Canadian manufactures and other commodities into the United States.

In saying this, I want to make it clear that much has been accomplished in trade relations between our countries and that many difficulties and problems have been resolved in recent years.

While each of our countries maintains its individuality and sovereignty, a common heritage and belief in freedom, geography, history and traditions unite us. The problems which arise between us must be settled with infinite responsibility, consideration and tolerance for each other, thereby giving to the world an example of international neighbourliness.

The essential unity between our countries is based on a common approach to the decencies of international living, to the shared belief that poverty, disease and illiteracy can be eradicated, and to a faith based on the sure knowledge, born of experience, that peoples of goodwill can live in amity and justice.

What role is expected of us in the years ahead? Among the Western nations we are a citadel of defence and joint custodians, with Europe, of Western civilization. We provide for the oppressed and under-developed peoples an example of a political and social system based on human values, based on freedom and the recognition of the human personality. But more is required, for being bountifully blessed by the possession of vast resources, our peoples have a paramount responsibility to help in narrowing the gulf in living standards between the developed and under-developed areas of the world.

Bernard Shaw once said:

"True joy in life is to align oneself with some mighty purpose and not get entangled in the petty troubles of life."

That epitomizes the role that we and other free nations must play. That mighty purpose is no less than the future of free mankind.



STATEMENTS AND SPEECHES

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AUG 9 1960

UNIVERSITY OF TORONTO

No. 60/28

WORLD REFUGEE YEAR--THE GOVERNMENT PROGRAMME

An address in Toronto on June 29 by Mr. W.B. Nesbitt, Parliamentary Secretary to the Secretary of State for External Affairs, at a luncheon meeting of the Canadian Committee for World Refugee Year marking the formal end of World Refugee Year in Canada.

... The Canadian Government was one of the early supporters of the concept of World Refugee Year. On December 5, 1958, the Canadian Delegation supported a resolution in the United Nations General Assembly calling for a World Refugee Year and shortly thereafter the Secretary-General was informed that Canada would actively participate in the programme.

From the outset it was evident that this was a project in which there should be both governmental and private participation. The Government took the view that it should contribute in two ways. In the first place it could undertake specific projects which were costly and difficult and somewhat beyond the scope of the voluntary organizations. The Government could also create conditions which would encourage private individuals and groups to give their support to the voluntary WRY programme. The most important thing was to provide a strong lead in the early months of WRY and to announce significant action by the Government. In this way the public could be made to realize that WRY was something to be taken seriously, something which merited active support.

Before dealing with the special steps taken by the Government in support of WRY, I shall refer briefly to the regular annual contributions which have been made by the Government to the various refugee assistance programmes being carried out by the United Nations. You may already be familiar with some or all of these contributions but it may help to keep the picture in perspective if I list them for you.

Canada's Contribution

In 1959 Canada made the following contributions to the regular budget of continuing refugee programmes:

- (a) To the Camp Clearance Programme of
the High Commissioner for Refugees.....\$ 290,000

- (b) To the 1959 budget of the United Nations Relief and Works Agency for Palestine Refugees.....\$ 500,000 in cash
1,500,000 in wheat flour
- (c) In addition, Canada contributed in 1959 the sum of \$60,000 to the Far Eastern project carried out jointly by the High Commissioner for Refugees and the Intergovernmental Committee for European Migration. Under this programme refugees of European origin in China, many of whom have been refugees for close to 40 years, are being resettled elsewhere. This contribution was made in 1959 but was made applicable to the 1958 budget of the Far Eastern project.

In 1959, therefore, Canada contributed \$2,350,000 to regular budgets of programmes being carried out by the United Nations refugee agencies. Last winter Canada pledged a further \$290,000 to the 1960 regular budget of the High Commissioner for Refugees and \$500,000 in cash to the 1960 budget of UNRWA. In May last the Government announced a further contribution for 1960 of \$1,500,000 in wheat flour to UNRWA. I might add that the gift of wheat flour was not, as has been alleged, a gift which was forced upon a reluctant recipient. During his visit to Ottawa in March, the Director of UNRWA urgently requested a contribution of wheat flour to assist in the feeding of nearly one million Arab refugees and it was in response to this request that the grant of wheat flour was made.

It is well to keep in mind that, for the latest year for which complete figures are available, Canada was surpassed only by the United States in its contribution to the programme of the High Commissioner for Refugees and only by the United Kingdom and the United States in its contribution to UNRWA. Canada is the only middle power which contributes on this scale to these United Nations agencies. I sometimes hear statements to the effect that some other countries are doing more for refugees than Canada, but when the world-wide picture is considered, it is clear that Canada's support for refugees need not take second place to that of other powers, who often concentrate their efforts in one region.

Admission of Casual Refugees

Canada does not merely contribute money as part of its regular programme of assistance to refugees. I have been surprised to hear some people say that, prior to WRY, Canada did nothing to provide resettlement opportunities for refugees. For years Canada has admitted refugees from the European camps and many who were not actually in the camps. Since World War II it is estimated that more than 250,000 refugees have been admitted to Canada. It is difficult to give an accurate figure because Canada has followed the policy of admitting all new arrivals as immigrants without establishing a special category or label of "refugee". Very often

the documents submitted by the new arrival do not indicate clearly whether he is a refugee or not, and it is possible that considerably more than 250,000 refugees have been admitted to Canada.

The flow of refugees varies from year to year. There was a particularly heavy flow immediately after World War II and another large contingent after the uprising in Hungary. In other years the number has been smaller but it is accurate to say that in every year since 1945 there have been thousands of refugees admitted to Canada. In the last six months of 1959 (that is to say, the first six months of World Refugee Year) between 1,300 and 1,400 refugees arrived in Canada as part of the normal immigration programme. You will realize that I am not in a position to say very much authoritatively on behalf of the Department of Citizenship and Immigration, but I have been informed by Mr. George Davidson, Deputy Minister of Citizenship and Immigration, that the flow of refugees to Canada under the normal immigration programme during 1960 is expected to be considerably heavier than it was in 1959.

Handicapped Refugees

Canada has also for a number of years permitted the sponsorship of handicapped refugees who would not meet the normal criteria for entry into Canada. Under this programme relatives or one of five recognized church agencies could sponsor specific refugee families from Europe by undertaking certain responsibilities which, in essence, served as assurance that the handicapped family would not become public charges after their admission. Although the federal authorities could not fix a time limit for these responsibilities, it was, of course, open to the various provinces to exercise their jurisdiction in respect of welfare assistance so as to accept responsibility for any future assistance required by the sponsored refugees and thereby terminate the financial undertakings of the sponsors. As you will be aware, the Minister of Citizenship and Immigration announced last autumn that the categories of eligible sponsors would be broadened for WRY so that private individuals, voluntary organizations, and municipal and provincial authorities could act as sponsors for handicapped refugees. On March 17, the Prime Minister announced in the House of Commons that this arrangement would be extended beyond the end of WRY.

It is interesting to note that several special schemes for the admission of handicapped refugees which have been announced by other governments as special projects for WRY are almost identical with the normal sponsorship programme which has been carried on by Canada for years. I might also point out that the sponsorship responsibilities required by the Canadian Government are no more extensive, and in some cases less extensive, than the conditions of sponsorship imposed by the other major countries of immigration.

Jurisdictional Problems

There have been suggestions that the burden of sponsorship is too heavy for most Canadian voluntary groups to accept, and in March the Canadian Welfare Council presented to the Government a number of recommendations designed, among other things, to facilitate the sponsorship of handicapped refugees by limiting the responsibilities placed on sponsors. This involves a question of financial arrangements between the federal authorities and the provinces and I need hardly tell you that questions involving federal and provincial jurisdiction are extremely complex. The matter is further complicated by the fact that present arrangements between the Federal Government and the various provinces are not uniform, and the question of changing existing arrangements for an indefinite period is one that requires careful study, and often long periods of negotiation before final agreement can be reached. I can assure you that the government departments concerned have been carefully studying all aspects of this problem over the past two or three months. It has been the view of the Government for the reasons just expressed that it was not essential to complete this study before the end of WRY, since the arrangements for sponsorship which have been in effect during WRY will continue in the future. It is, of course, open to the provinces and the municipalities to alter their present rules of eligibility for welfare assistance. Ontario, for example, has reduced the period of residence required in order to claim such benefits to six months in the case of handicapped refugees.

At the present time, although the Federal Government has not taken its final decision on the responsibilities of sponsorship, there are 100 handicapped cases (involving a total of 249 persons) that are now being processed by the Immigration Branch. These 100 cases are being sponsored by community groups, and voluntary or religious organizations and do not include cases being sponsored by relatives in Canada. The groups that have undertaken to sponsor refugees deserve the warmest commendation and it is gratifying to know that they are finding the responsibilities of sponsorship are not, in fact, a prohibitive burden. I am informed by the Deputy Minister of Citizenship and Immigration that there is no sign that the interest in private sponsorship of refugees will slacken at the end of WRY. It seems probable, therefore, that the private sponsorship programme will permit a significant contribution to be made to the programme for the resettlement of European refugees.

Admission of TB Patients

The Government's major special contribution to WRY is, of course, the programme for the admission of tuberculous refugees and their families to Canada for treatment and rehabilitation. In considering what special contribution could be made, the Government had in mind the fact that a large number of refugees who had been in the European camps for a prolonged period had developed tuberculosis and it was extremely difficult to persuade countries of immigration to accept these refugees. If the European camps were to be closed, it was necessary to make some arrangements to relocate the hard-core cases, of which the most notable segment were those suffering from TB.

The Government initiated discussions with the High Commissioner for Refugees and consulted the provinces. In consequence, on September 24, 1959, the Secretary of State for External Affairs was able to announce in the General Assembly that, as a special contribution to WRY, Canada would waive immigration regulations and admit a substantial number of tuberculous refugees and their families for treatment. At a press conference immediately following his statement Mr. Green said that the number to be admitted would be at least 100 and possibly more. In the first instance it was decided to admit 100 TB cases since the project involved many novel problems and was a new departure in federal-provincial co-operation. With the co-operation of the provinces, a good deal of red tape was dispensed with and the 100 TB refugee families arrived in Canada by early 1960. As a matter of fact, a senior representative of the High Commissioner for Refugees stated that in all his experience he had never seen a project of this sort implemented so swiftly.

The Canadian TB refugee scheme attracted favourable notice all over the world, and there is no doubt it helped stimulate the world-wide support which built up through the winter for WRY. The High Commissioner for Refugees termed the project a "breakthrough" in that Canada was the first country outside Western Europe to accept refugees afflicted with tuberculosis from the European camps and to accept full financial responsibility for them.

It soon became evident that the first 100 families were being settled in Canada with a high degree of success. With the modern methods of treatment available in Canada the family member suffering from TB responded quickly, and by early spring, almost one-third of the cases were already cured. At the beginning of June, 75 of the cases had been discharged from sanatoria. On June 1, 54 of the men in the group admitted were employed and 31 women were employed. There were 28 other persons considered employable for whom the Government was seeking suitable employment. Those refugees who are out of hospital but not yet working are studying English or French. It is obvious that in the near future almost every family will be well integrated in the Canadian community.

Programme Extended

In view of this success, it was agreed to go ahead with an extension of the programme. The provinces expressed interest in joining in the extension and a similar arrangement was agreed upon, under which they accepted the cost of treatment in the provincial sanatoria; all other expenses (including transportation and maintenance where necessary until the families are reasonably able to support themselves) were paid by the Federal Government. Under the extension so far, arrangements have been made to bring 112 TB cases and their dependents from Europe to the various co-operating provinces in Canada. These cases will be arriving in Canada during the next few weeks. The Federal Government has spent or committed hundreds of thousands of dollars on the TB refugee project and the provincial governments have spent additional amounts. It is not possible to state now the final cost of the project.

The Canadian project has already accepted all the TB cases, located in refugee camps in Italy, Austria and Germany, who have indicated that they wish to come to Canada and who come within the broad criteria established for the programme. In fact, a number of TB cases from groups living outside the refugee camps have been declared eligible, although priority has been given to cases in camps.

Criteria of Selection

Initially the selection criteria were worked out for this project in consultation with the High Commissioner for Refugees and were very liberal. It was made clear to the High Commissioner for Refugees that we would accept refugee families with members who had the most advanced stages of TB and we were even prepared to accept heads of family with incurable TB. The High Commissioner was told that European refugee families would be accepted without regard to ethnic or religious background. Furthermore, physical handicaps such as an amputation would not necessarily bar a family from being selected.

We did suggest to the High Commissioner, in connection with the original 100-family movement, that for the time being we would select families with only one TB case in the family in order that as many refugees as possible might be admitted to Canada within the initial quota of 100 TB cases. It was stipulated, however, that this was not a definite limitation and that we would be prepared to alter this position if it appeared advisable to do so. As it turned out, the conditions of eligibility under the extension were explicitly altered to include families with more than one TB case as well as unmarried refugees with TB. In implementing the scheme the High Commissioner did nominate a number of cases with only moderate tuberculosis. This apparently reflected his view that some of the less severe cases should be given a chance to emigrate to Canada.

The major restriction which Canada did place on eligibility was that mental cases, criminal cases, and persons suffering from serious contagious illnesses (other than TB) would not be accepted. There was an obvious reason for imposing this limitation.

I think it is clear that the Government has given substantial support to the WRY programme and, from the official reports which I have seen, I think there is no doubt but that Canada's effort compares very well with those of other governments. Although we have reached the end of WRY, the Government will continue to support programmes of assistance to refugees. The Government will continue its substantial contributions to the regular budgets of the United Nations

refugee agencies, and although WRY is ending, the Government is at the moment considering further additional proposals designed to assist refugees.*

You should regard my remarks on the various parts of the Government's programme during World Refugee Year as a report placed in the perspective of other official efforts in the broad and important field of refugee assistance. It should, of course, be considered in the context of efforts which you have all been making in World Refugee Year. In the world-wide response to the pressing needs of these unfortunate but unwitting victims of upheaval and war, it could be clearly demonstrated from these proceedings today that Canada and Canadians have not been found wanting.

* On June 30, 1960, Mr. Howard Green, Secretary of State for External Affairs, announced in the House of Commons that "the Government has decided to grant to UNRWA an additional amount of flour to the value of \$1 million. This flour is being given as a special gift for World Refugee Year." Mr. Green went on to say: "We have already provided for \$1½ million worth of flour and for a cash payment of \$500,000. This will be an additional gift. It will be very beneficial, because it will mean that other sums will be available to UNRWA from the United States. It will also mean that the savings resulting from the gift of this flour will be used for the opening of two vocational schools in the areas where the refugees are now living." (Excerpts taken from Hansard for June 30, page 5,578.)



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS,
OTTAWA - CANADA

60/29

REVIVE DISARMAMENT TALKS

Statement to the United Nations
Disarmament Commission by Mr.
Howard C. Green, Secretary of State
for External Affairs of Canada,
August 16, 1960.

At the outset of my statement, may I express my great satisfaction that you have wisely decided to convene the Disarmament Commission at this time. It is the firm view of the Canadian Government that in the broad and complex field of disarmament the world is facing a very grave situation. The quickening pace of arms development, and especially of the means of delivering nuclear weapons, is producing risks and dangers which demand immediate attention, if we are to prevent a catastrophe in the world.

Moreover, the whole weight of public opinion in all countries has been thrown on the side of early and effective action on disarmament as a means of increasing international security, reducing international tension and incidentally easing the heavy burdens which preparations for defence have placed on all nations.

Responsibility

In the Canadian view, the responsibility of the United Nations and especially of the Disarmament Commission in this all-important field is clear. The Charter bears testimony to the United Nations primary interest in and responsibility for disarmament. This Commission at the present time is the United Nations instrument for exercising that responsibility. The fact that the members of the Disarmament Commission reflect virtually all shades of opinion in the world today qualifies it fully for that task.

Last year, especially after the unanimous adoption of the General Assembly resolution on disarmament, the Canadian Government looked hopefully to the 10-Nation Committee as a means of exploring every avenue of progress toward agreement on measures of disarmament.

We were encouraged by the improved international atmosphere at that time. Meeting the wish of the Soviet Union for parity in the composition of the negotiating body seemed to ensure good opportunities for serious negotiation. Furthermore, we had before us the pattern and experience of the tripartite negotiations on the discontinuance of nuclear weapons tests, which had been protracted and difficult but in which gradual progress had been made.

It seemed that the four-power agreement to establish the 10-Nation Committee had paved the way for a new and promising approach to disarmament. We saw in this approach an opportunity for the two sides, representing the most heavily-armed alliances in the world, to negotiate their differences bilaterally with a view to establishing a pattern for universal disarmament. It was assumed that any progress resulting from these negotiations would be reported to the United Nations and that, ultimately, the pattern developed between these alliances would form the basis for more extensive agreements and arrangements within the United Nations framework.

Hopes Shattered

Our hopes and desires in that regard were rudely shattered when, on June 27, the negotiations in the 10-Nation Committee were interrupted. It would be quite fruitless, and indeed contrary to my whole purpose, if I were to dwell upon the reasons for the interruption of those negotiations. They are dealt with, in any event, by the report to the Disarmament Commission by the five Western members of the 10-Nation Committee. I shall say only that, in the Canadian view, the negotiations need never have been broken off. I hope to demonstrate this during the course of my statement. My object in doing so is to support wholeheartedly the main purpose for which this meeting of the Disarmament Commission has been convened, that is, to bring about a resumption of the disarmament negotiations.

I do not wish to imply that the results obtained in the 10-Nation Committee were what they should have been. On the contrary, the Canadian Government believes that greater progress was possible and should have been made. In statements in Canada and elsewhere, I have made no secret of my view, that in some respects the pace and trend of events in the 10-Nation Committee was unsatisfactory. I do say, however, that the negotiations in the 10-Nation Committee did produce some drawing together of opposing positions and should have been pursued.

This was true at the time when the talks were interrupted. It was difficult to understand the logic of the action taken to discontinue the negotiations then, particularly as the failure of the Summit meeting had given the remaining East-West negotiations increased importance. However, despite

all setbacks, the Canadian Government has not ceased to advocate the continuance of a policy of negotiation with a view to creating mutual confidence in the relations between the Soviet and Western worlds.

Balancing Concessions

In their efforts to bring about serious negotiations in the 10-Nation Committee, Canadian spokesmen have used the phrase "balanced concessions". To us, this is a significant phrase for several reasons. For one thing, balanced concessions are, of course, the essence of a true negotiation. For another, the conception of balanced concessions has particular significance in the field of disarmament.

It seems to me that we must contemplate a process whereby the final goal of disarmament will be arrived at through stages, balanced so that at no point will any one nation or group of nations be in a position to pose a threat to the security of another. The idea of achieving disarmament through balanced concessions has therefore been central to Canadian thinking about the negotiations in the 10-Nation Committee.

Can we say that there are any signs of progress through balanced concessions in the 10-Nation Committee? I think we can. In several important aspects, the two sides in the negotiations have moved closer to each other's position. When we compare the proposals put forward by the Soviet Union on June 2, 1960, with those put forward by the United States on June 27, we find that there is a common approach on a number of points.

Rival Proposals

The extent of this movement towards agreement becomes even more striking when we recall that each side has now put forward two complete sets of proposals in the course of these negotiations. Both the Soviet proposals and the United States proposals which were presented to the 10-Nation Committee in June contained advances on the earlier proposals which had formed the basis for the first six weeks of the negotiations.

I should add that the Western proposals of June 27, while placed in the records of the 10-Nation Committee by the United States delegation, were produced as a result of close consultation among the five Western members of the Committee. These proposals embody advances which I intend to mention later.

The process which has gone on could be described as follows: At the beginning of the negotiations in March, each side introduced a plan. After examining these plans, both sides concluded that the plan of the other side was not satisfactory. Subsequently after further reflection, each side introduced new proposals. These later proposals contained elements of balanced concessions to each others point of view. This development represented the normal course of a negotiation. Yet it was just at the stage when new proposals had been introduced by both sides that the negotiations were broken off. In other words, the interruption took place at the least logical time.

Negotiations Must Go On

No matter how difficult the task of achieving agreement may appear, or how slow the progress may seem, there can be no valid reason for not pursuing disarmament negotiations with patience and perseverance. Those countries which have been given and which have accepted the responsibility for negotiation are bound to continue their search for agreement. World opinion expects no less of them, as we saw last year when the General Assembly unanimously pronounced that disarmament was the most important subject facing the world today. It is this expectation, on the part of the world community, which underlines the seriousness of the interruption in the work of the 10-Nation Committee just when it appeared that progress was being made. Let me illustrate this.

If the latest Soviet and Western proposals are compared, it becomes clear first of all that there is agreement on a number of general principles. East and West agree that the goal is general and complete disarmament. This is defined as the disbandment of all armed forces of all states except those required for internal security (that is police or "militia") and those required as the states' contribution to an international force to maintain peace under the provisions of the United Nations Charter.

It is recognized by both sides that general and complete disarmament requires the elimination of all weapons, except those required for the forces just mentioned. It is also agreed that the principle object of general and complete disarmament is the elimination of the weapons of mass destruction--nuclear, chemical and biological--and the means of delivering them.

It is agreed further that the process of disarmament throughout must be under effective international control--and by control is meant verification and inspection. Furthermore, it is agreed that an organization to carry on this control must be set up within the framework of the United Nations, that disarmament should be such that no nation or group of nations will gain a military advantage at any stage or through any measure.

One of the most important points of substance on which the views of the West and East have come together is on the levels to which conventional forces and armaments should be reduced in the second stage. The plans of both sides now agree that at this stage the armed forces of the United States and the Soviet Union should be reduced to the level of 1.7 million effectives, and that their armaments should be reduced in relation to force levels. The armed forces and armaments of other militarily important states would be reduced proportionately.

As the two sides have reached agreement in this extremely important area, there seems to be every reason to continue to develop this agreement in detail--to work out the measures and procedures for effecting the reduction of forces and armaments, and for verifying the reduction when it takes place. This line of negotiation should yield fruitful results if pursued by the 10-Nation Committee through joint studies; that is, by detailed negotiations of sub-committees of experts.

I do not wish to give the impression that these detailed negotiations would not be without difficulties. However, since there is agreement on the objective of 1.7 million, it should be possible to find the means and methods of reaching it.

West and East are agreed on the principle that the production of nuclear explosives for making nuclear weapons should be stopped, under international control; and that existing stocks should be destroyed or converted to peaceful purposes. It is agreed also that there should be preliminary joint studies of how exactly this is to be carried out. Why not begin these joint studies at once?

No Cause for Delay

It is unreasonable to say that there first must be agreement on all the details of the programme of general and complete disarmament, from beginning to end. After all, negotiations on the control of the stopping of nuclear tests have been going on at Geneva. There does not seem to be any barrier in principle to beginning similar negotiations on these other aspects of the vital problem of preventing the use of nuclear power for the destruction of civilization.

The ideas of East and West, as expressed in the latest disarmament proposals, have come closer together in regard to the need for some kind of international force to maintain peace and security in the world when general and complete disarmament of the nations is attained. It is also agreed that this force should operate according to the principles of the United Nations Charter. This is a very important principle agreed upon.

The necessity of having an international force at the disposal of the United Nations to prevent breaches of the international peace has been clearly demonstrated by recent events. It is worth noting that this action is being taken by a United Nations Force which is only lightly armed, and in an area where there are practically no heavy armaments--a condition which would obtain everywhere when general and complete disarmament is in effect.

I have been talking about points in the great problem of disarmament where agreement, or a close approach to agreement, has been reached in the positions expressed by the Soviet Union in its proposals of June 2 and by the United States in its proposals of June 27, 1960. There are, of course, other aspects of disarmament where no comparable progress has been made. At the same time, the examples of agreement I have mentioned have a special significance, simply because they are the first areas of agreement. General and complete disarmament under effective international control cannot be attained overnight. Progress will have to be made by stages. As in so many things, it is the first step that counts.

Elimination of Nuclear Carriers

Perhaps the most important aspect of disarmament where more progress is called for is the question of nuclear carriers. The Soviet disarmament programme presented to the General Assembly on September 18, 1959, proposed that nuclear carriers should be abolished in the last stage of disarmament. However, in the revised Soviet programme of June 2, 1960, it is proposed that all nuclear carriers should be abolished in the first stage. Speakers for the Soviet Union and Eastern European delegations during the discussions following the presentation of the revised Soviet plan, claimed that this alteration was made to accord with the wishes of the Western nations. In fact, the Soviet proposal in regard to the abolition of nuclear carriers went from one extreme of timing to the other, in the process over-shooting the target--which they claimed they were aiming at--of reaching accommodation with Western views on this vital area of disarmament.

Perhaps it would be possible for the Soviet Union to modify its position again, placing it between these two extremes. The Western position also, as expressed in the United States proposals of June 27, 1960, has been modified in the direction of specifying the complete eventual elimination of nuclear carriers, and advancing the timing of the several stages in which this is to be accomplished.

I have tried to give briefly and in general terms the position of the West and the East in regard to the elimination of nuclear carriers. I think progress was made during the

Geneva talks towards a common position, although the progress here was less than in other areas I have mentioned. There would seem to be no compelling reason why, if negotiations were resumed, there should not be further progress, and eventual arrival at an agreed position. The approach through balanced concessions could be applied to this area of disarmament--that is, the elimination of nuclear carriers.

It is of the most vital interest to all nations of the world, not only to nations which would be most directly affected if nuclear warfare breaks out. The reason is that it is in multiplying ICBM's and perhaps other even more terrifying means of mass destruction that the armaments race is concentrated. This arms race goes on. Every month that is allowed to elapse without its being checked adds to tension and suspicion, and makes eventual disarmament more difficult.

Canada believes that a great responsibility lies on the nations possessing nuclear weapons and carriers to resume negotiations, with a view to eliminating the frightful menace which this form of armament presents to themselves and to the world generally.

In both the latest Western and Eastern plans, there is a provision for preventing the use of orbital satellites for carrying weapons of mass destruction. There is also provision for international control of the experimental launching of long-range missiles.

Could not both of these measures be put into effect without waiting until all the problems of complete elimination of nuclear carriers are solved? Such measures could be introduced without prejudice to the security of either West or East and they would help considerably to slow down the arms race. They would involve a mutual exchange of information through the agency of an international body. This would be one of the surest means of allaying fear and tension, which are the main-springs of the armament race. Why not undertake negotiations now--that is, joint technical studies--on these measures which will facilitate disarmament and of which the desirability is agreed in principle?

Another aspect of the disarmament problem on which there is still too wide a divergence of views, in spite of some degree of reconciliation, is whether it is necessary to work out the whole process of general and complete disarmament, from its first stage to its last, and set it down in the form of a draft treaty, before any steps can be taken actually to begin the disarmament process. That has seemed to be the view held by the Soviet Union and Eastern European delegations during the negotiations at Geneva. Canada's view has been that a start should be made by reaching agreement between the two sides represented on the Disarmament Committee--in regard to measures which they themselves can undertake, as a first stage in disarmament.

Final Treaty

It is common to both the Western and Eastern plans that to achieve general and complete disarmament, all the nations of the world must adhere to the treaty, and be bound by its terms. Of course, they must have the right to participate in the framing of the final treaty. In order that they may do so, it is agreed that a world conference should be convened for that purpose. The West has now proposed in the latest plan that after agreement on the first stage of disarmament among the 10-Nations, a draft treaty covering the second and third stages should be prepared, to be submitted to this world conference.

Once again, it would seem that the remaining difference of positions about how to prepare the international instrument or instruments which will register the obligation of the nations of the world to disarm is not such as to prevent agreement, after further negotiations, provided they are undertaken in a spirit of goodwill.

It has not been my intention to review the whole course of the negotiations in the 10-Nation Committee. Nor have I sought to attach blame unduly to one side or the other for the failure to make the kind of progress, which I think the present world situation demands. I hope that all members of this Disarmament Commission will share my great concern about the fact that these most important negotiations have been interrupted and will give their full support to a clear recommendation calling for the early resumption of those negotiations.

The Disarmament Commission is competent to exercise United Nations responsibility in this regard and to use its influence in the constructive sense I have suggested. I firmly believe that the Commission should neither hesitate nor equivocate in calling for resumed negotiations.

I have an additional suggestion to make which may make it easier for both sides to resume negotiations. In my view the 10-Nation Committee might benefit from having a neutral chairman who could regularize the order of business, especially when the two sides were deadlocked in this regard. It might be difficult to reach agreement on the appointment of such a chairman but one possibility would be to have him designated by the Secretary-General, in consultation with the powers concerned.

Mr. Chairman, geographically Canada lies between the two leading nuclear powers--United States and the Soviet Union. We are bound to suffer terribly in a nuclear war and we believe that many other nations would suffer as well, if not by direct destruction, then by the effects of fallout. If the

nuclear powers were to engage in total war, they would probably destroy civilization and this destruction could result from a mistake or miscalculation.

I suggest that the responsibility of all other nations, including Canada, is to make clear to the nuclear powers that the people of the world demand an end to this terrible threat which hangs over them and demand that disarmament negotiations be resumed forthwith.

These nuclear powers are all members of the 10-Nation Committee. It has not been disbanded and could resume meetings next week. Furthermore, it could work out a disarmament agreement if all the nuclear powers have the will to reach that objective.

There is no excuse for delay. The situation will not be improved by waiting for a debate in the General Assembly or for the American election or for a new administration in Washington. To wait for any of these means a delay of months--with the task of reaching agreement growing steadily more difficult, as more harsh words are uttered by each side. After the delay, there would still have to be negotiations.

In these days we are witnessing great accomplishments by the United Nations. I refer to what has been done and is still being done in the Congo. This world organization has taken a great step forward there.

If the members of this Disarmament Commission decide that the 10-Nation Committee should resume its work at once, their decision will, I believe, be respected and the United Nations will have taken another step forward, this time in the field of disarmament for which it has a fundamental responsibility.



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

60/30

TRADE ACCESS TO THE EEC

Statement by Mr. H.B. McKinnon, Chairman of the Canadian Delegation to the 1960-61 GATT Tariff Conference, at the Opening Session on September 1, 1960.

...The series of conferences opening today, including the coming seventeenth session of the contracting parties, will be a good deal different from any of those which have preceded it. The latter- and particularly the 1947 negotiations in Geneva and those of 1950 in Torquay- were significant achievements in international trade co-operation; the world moved from bilateralism to multilateralism.

But this is another day; new and different problems in the sphere of economic and commercial policy have arisen. Some of them present quite novel aspects of considerable complexity and difficulty. We are here to deal with a number of these in the months to come. Many of the most difficult matters we shall have to discuss arise from decisions to work together on a regional basis and to intensify economic co-operation with particular groups of countries.

With the marked improvement in financial position of many of the important trading countries over the past decade; with the welcome, though not yet complete, abolition of discrimination and quantitative restrictions, tariffs are again playing a more significant role in regulating trade. It is right to emphasize, as speakers before me have done, the importance of the new round of tariff negotiations that is to begin next January. However, the work with which we shall be concerned before the New Year, particularly the renegotiation of tariff bindings of the members of the European Economic Community, is of critical importance.

Access to The Six

Canada has on many occasions expressed its sympathy with and understanding of the economic and political objectives of the European Economic Community. A liberally-oriented EEC

should provide an expanding market to other countries. In this connection, my Government has welcomed the Community's declaration that it wishes "to pursue vis-a-vis non-member countries...a liberal policy which takes their anxieties into account." We have to examine that essential feature of the new Community-the Common Tariff, which is to replace the present national tariffs. We must consider whether the present terms of access to the market of The Six, paid for with concessions by contracting parties, are to be maintained under the proposed Common Tariff. If not, ways must be found of restoring the balance of mutual advantage. A number of countries depend for their export income on a narrow range of products and it is what happens to these particular products that matters to them; no theoretical argument as to the general incidence of the Common Tariff can meet their legitimate concerns.

Agricultural Exports

Trade in agricultural products is of particular concern to Canada, since it represents more than 40 per cent of our exports to the member states of the Community. In many important instances, tariffs on agricultural products may have little meaning in view of other measures applied or envisaged by the six member states to regulate agricultural imports. We shall have to consider this sector very carefully; my Government believes that it is important that a satisfactory settlement be reached providing reasonable and known terms of access to the Community for agricultural products. It is inconceivable that a satisfactory balance of concessions between The Six and agricultural exporters can be found unless the EEC is prepared to assume and implement meaningful obligations in this vital sector of international trade.

The Canadian Delegation has been sent here to assist in making this a constructive and successful conference. That is not to say that we anticipate no difficulties, for indeed we do. We have important trading interests in Europe, and beyond Europe; we are here to protect and to further those interests.

A great deal of goodwill and labour will have to go into the work of the next few months if the renegotiations are to be successful and if the access to which other countries are entitled in the markets of The Six under the Agreement is to be assured and -- as we hope -- enlarged. We must address ourselves with diligence and care to the problems that lie ahead-- problems that, if they are to be resolved, will demand from all delegations much reasonableness and much understanding of our mutual interests.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
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No. 60/31

ARMS TALKS OR ARMS RACE

Texts of two addresses by the Secretary of State for External Affairs, Mr. Green, to the 69th and 70th Meetings of the United Nations Disarmament Commission on August 18, 1960.

(A)

This morning I wish to speak very briefly in order to give a short explanation of the amendment which Canada is proposing to the resolution which was submitted yesterday.

This amendment will be found in Document DC/181, and perhaps it would be helpful if I were to read the result of combining this amendment of Canada with the resolution which was brought forward yesterday. It will read as follows:

"The Disarmament Commission,

"Recalling its resolution of September 10, 1959, welcoming the resumption of disarmament negotiations and expressing the hope that such negotiations would provide a useful basis for the consideration of disarmament in the United Nations,

"Noting with regret that these negotiations have not as yet yielded sufficiently positive results,

"Reaffirming the continuing and ultimate responsibility of the United Nations in the field of disarmament,

"Taking into account Resolution 1378 (XIV) adopted unanimously by the United Nations General Assembly on November 20, 1959:

"1. Considers it necessary that, in view of the urgency of the problem, negotiations be resumed at the earliest possible time to achieve a constructive solution of the question of general and complete disarmament under effective international control;

"2. Recommends, in addition, that the fifteenth session of the United Nations General Assembly give earnest consideration to the question of disarmament;

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"3. Recommends to the United Nations General Assembly that the Disarmament Commission as set up in United Nations General Assembly Resolution 1252 (XIII) should continue in being and be convened whenever deemed necessary."

In my statement in this Disarmament Commission on August 16, I underlined the urgency and the importance of resuming negotiations on the important issue of disarmament. This view has found similar expression in most of the statements which have been made in the Commission at this session, including that statement by the distinguished Representative of Guinea a few moments ago. There has been general recognition that the issues are too grave to permit any relaxing of our efforts to find a way towards agreement.

I also spoke about the results that had been achieved in the Ten-Nation Committee I referred to areas in which there had been some drawing together of opposing positions. I made no claims that the rate of progress had been satisfactory or that positive achievement in the form of an agreement concluded had been attained. I did express my belief, however, that the process of negotiation was yielding some encouraging results, and I would point out to the representatives here this morning that one of the results achieved was that there were statements submitted by the Eastern side and the Western side in June which were a big advance on the statements made originally in March, and that was a worthwhile step.

I appealed to the Commission to use its influence to bring about a resumption of negotiations in the shortest possible time. I suggest that all members of the Commission have a responsibility in this regard, but especially the non-nuclear powers. A clear statement of opinion in favour of negotiation is required.

The Commission has before it the draft resolution submitted by six powers. I fully appreciate the considerable effort which the delegations concerned have made to arrive at an acceptable text. However, the six-power text as submitted, in my view, does not meet that situation, and sincere efforts involving the six delegations and others have failed to bring about sufficient improvement in the draft resolution.

From the Canadian point of view, the operative paragraphs amount to little more than the passing of the whole problem to the fifteenth session of the UN General Assembly. There is no clear call for early negotiations but only a mild expression of hope that efforts will be made to reach a solution. In effect, the result of our important debate here in this Commission, if that draft resolution is adopted, will be to recommend a further debate in the UN General Assembly.

In saying this, I do not dispute that the UN General Assembly has an important role to play and, indeed, a grave responsibility which must be exercised in due course. The Assembly will be required to deal very seriously with the disarmament question when it comes up for discussion, probably not until late October; in the meantime, nothing will be happening

in the field of disarmament negotiations, and nothing may happen until after the Assembly session, some four or five months from now, or perhaps six months or even more. In the meantime, let us not forget, the arms race goes on faster every day, and the "cold war" gets colder every day, with civilization at stake. We may have the very future of civilization in our hands in this Commission today.

Can this Commission, which is now the instrument of UN responsibility for disarmament, content itself at this time with a mild expression of concern about what I regard as an undue delay in disarmament negotiations? I suggest that it cannot and should not. We owe it to the peoples of the world, who look to the UN with hope for relief from anxiety about the dangers in the current trend of arms development, to express ourselves forthrightly in favour of resumed negotiations in the shortest possible time.

It is for these reasons that the Canadian Delegation has submitted the set of amendments now before the Commission. We believe that they put in proper perspective the serious problem which faces us all.

In effect, the first amendment recognizes that some degree of progress has been made in the Ten-Nation Committee, although not a sufficiently positive result.

The second amendment substitutes for the original operative paragraph a clear reference to the need for negotiation and also places negotiation in its proper priority, which we think is in the first place.

The third amendment, which is mainly a renumbering of the original Operative Paragraph 1 gives the forthcoming discussion in the Assembly its proper place in the order of urgency.

In submitting these amendments, I hope they will be voted on as a whole, because, in my view, they are integrally related, and I earnestly commend them to the Commission.

May I trespass on the time of my fellow representatives to repeat today the suggestion I made two days ago that the responsibility of the non-nuclear nations, including Canada, is to make it perfectly clear to the nuclear powers that the people of the world demand an end to this terrible threat which hangs over them and demand that the disarmament negotiations be resumed forthwith. The non-nuclear powers must take the lead in mobilizing world-wide opinion on this life-and-death issue.

(B)

I really must apologize for presuming to speak for a third time. I hope that I will be forgiven by my fellow representatives. I should like to thank the Representative of Pakistan for very kindly allowing me his place in order that I might comment briefly on the revised Draft Resolution (DC/180/-REV 1) which the Representative of Ecuador has just introduced. I should also like to stress at once my warm appreciation of the constructive efforts which the representations of the six co-sponsors have made to meet the points contained in the Canadian amendment (DC/181).

During the past few days, the co-sponsors have been patiently working to find a text which would meet with the unanimous approval of this Commission, and I believe that their sincere efforts deserve the congratulations of all members.

The Commission has been given a helpful explanation by the Representative of Ecuador concerning the developments leading to the revision. I think that the revised text goes a long way to meet the reservation which prompted the Canadian Delegation in the first place to introduce its amendment. In particular, the new language in Operative Paragraph 2 of the revision recognizes the need for the earliest possible continuation of negotiations on disarmament. I suggest once again that this accurately reflects the views of the large majority of members of this Commission and responds to the expectations and hopes of peoples everywhere.

In the light of these changes in the text, and in the interests of obtaining the widest possible support for the recommendations of this Commission, I am prepared to accept the language of the revised draft resolution, although it will be realized that in several different respects it differs from the language of amendment.

However, I find that I am unable to agree with the co-sponsors on one point which has been central to Canada's position as I have expressed it. I refer to the order of Operative Paragraphs 1 and 2. Here may I say that the distinguished Representative of Ecuador has said that the order is of no importance. If he and the other co-sponsors feel that way about it, surely they would not object to having it changed. We do feel very deeply about it, and I suggest that he go the one step further and change this order of precedence, as he admits that it will not hurt his feelings very much if this is done.

I have already stressed in this Commission my conviction that the pace of arms development, with the international tension and anxiety that it creates, makes it imperative that the Commission give the greatest emphasis to the need for disarmament negotiations at the earliest possible time. And that, I suggest, is the reason we are here; this is the business that we have come here to do, all of us. For this reason, I hold to the view which I expressed this morning, that the order of the operative paragraphs should be such as to give first priority to the one recommending early negotiations. This order of priority is entirely a question of emphasis and

in no way affects the importance which my Delegation attaches to the forthcoming discussion of disarmament in the UN General Assembly. This discussion in the UN General Assembly however, will not constitute negotiation, as the Representative of Ecuador has admitted himself this afternoon in his statement. But negotiations are what I firmly believe the present situation calls for. Accordingly, when the Commission comes to vote on the six-power revised draft resolution, I intend to move that the order of Operative Paragraphs 1 and 2 be reversed; and I would plead with the sponsors of the draft resolution now before the Commission to give further consideration this afternoon to this suggestion.

Surely, if the emphasis is put on the paragraph reading "Considers it necessary and recommends that in view of the urgency of the problem continued efforts be made for the earliest possible continuation of international negotiations to achieve a constructive solution of the question of general and complete disarmament under effective international control", then we, by so doing, place the strongest possible stress on the need for action. And remember -- this Commission is the only body in the world that can advocate action promptly at the present time to meet this terrible threat. The debate in the UN General Assembly will not be completed for weeks, perhaps for months; but, in the meantime, as I said this morning, the arms race goes on day after day and accelerates every week. This disarmament commission is the one body that can make a strong recommendation at the present time that negotiations be resumed. As I have said, we alone can advocate that this action be taken now. In that way we can do something about the time element, which is so important in this whole situation.

I do not intend to trespass any further on the time of this Commission, but I do suggest with the greatest possible friendliness to the co-sponsors -- with each one of whom the Canadian Delegation has worked in a most friendly manner for many sessions of the UN and each one of whom we consider among our very closest -- that they give further consideration to this suggestion that the order of those paragraphs be reversed and that the vital paragraph which embodies the business of this Commission be put in the first place.

I really do not know why there should be any objection to the making of that change. It seems completely wrong to me and makes no sense that this Commission should refuse to put the emphasis where the emphasis belongs and where we all know in our hearts that the emphasis belongs.

s/c



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No. 60/32

PEOPLES WANT PEACE, NOT PROPAGANDA

Address by Prime Minister John G. Diefenbaker
before the United Nations General Assembly,
September 26, 1960.

Mr. President, I wish to congratulate you on your election. I know that the United Nations General Assembly will benefit greatly from your wisdom, experience and independent judgement, qualities which are so essential in the discharge of those responsibilities that are yours, and may I add, Sir, that one-tenth of Canada's population is of Irish origin and they ask me to convey to you a particular word of congratulation.

I wish as well to join in welcoming the newly-elected member states. I know that they will derive benefit and advantage from their membership in this organization, as the United Nations will benefit from their participation in its work and activities. It is particularly significant that 13 of these new member states are in Africa, a continent in which great changes are taking place and which today holds the centre of the world's stage. I know all of us of the older members of this organization will agree that we have a responsibility to assist these new member states in solving the challenging problems with which they are faced.

Their addition to our membership is a reminder of the need for the Assembly to consider enlarging the Economic and Social Council and the numerical strength of the Security Council, so that all geographical areas may receive adequate representation.

I wish now to speak of the present Assembly. To some observers the Assembly in the past week gave the appearance of being a circus and a drama of personalities. Whatever their views, this fact stands out, that this is the most important and most representative gathering of the world and national leaders in all history. This meeting symbolizes the bringing together of the cultures and philosophies of all races. It is our responsibility to ensure that out of this meeting shall come a testament to the capacity of rational men to achieve rational relations, to bring about the attainment of peace and to practise brotherhood and the raising of standards everywhere in the world. To the new members I say this. As one coming from Canada, I say that the United

Nations constitutes the greatest hope for the middle and small powers, for the new and weaker states, indeed, for all the nations of mankind of every social and political system.

Mischievous Soviet Speech

We meet under circumstances which, in my opinion, mean that this is a critical stage in the history and development of the United Nations. This organization faces its most formidable threat, a threat to its very existence. In the last few days the Assembly has heard from the leaders of its two most powerful members. I had great hopes when I learned that Mr. Khrushchev was going to attend. I came here prepared to accept, to adopt and to agree with any good suggestion he might offer, for I am of those who believe that his suggestions must not be rejected out of hand. I have been disappointed. Mr. Khrushchev, in a gigantic propaganda drama of destructive misrepresentation, launched a major offensive in the cold war. He gave lip-service to the United Nations which, in my opinion, would be destroyed by his proposal for a triumvirate. That speech could not have been intended to bring the world closer to peace; yet, to bring the world closer to peace is the major reason for our being here.

We do not always agree with the United States, but our very existence -- with one-tenth of the population of the United States and possessing the resources that we do -- is an effective answer to the propaganda that the United States has aggressive designs. I say that, to begin with, President Eisenhower made a restrained, a wise and a conciliatory speech. He presented a constructive programme. He looked forward to a world community of peace. He opened the door to international conciliation and world fellowship. I am sorry to say that Mr. Khrushchev tried to shut that door.

Attack on Secretary Rejected

This morning we heard from the Secretary-General, the agent and trustee of this organization. I say at once that Canada rejects categorically the unjust and intemperate attacks that have been made on the office and person of this wholly-dedicated and impartial Secretary-General. The proposal of the U.S.S.R. to replace the Secretary-General with a three-man presidium requiring unanimous agreement to act is a transparent plan to undermine the prestige and authority of the United Nations. Having thwarted the United Nations so often through the exercise of the veto, the U.S.S.R. now seems bent on destroying the United Nations by neutralizing its power to proceed effectively and promptly in emergencies as they arise.

I need not add that Canada is opposed to that bizarre proposal; to accept it would require an amendment of the Charter; to accept it would be to reduce the United Nations to an instrument of indecision and impotence. It would, in fact, multiply the veto to the detriment of the effective operation of this organization.

Co-operation in the Congo

I shall now say a few words on the Congo. What has happened there has given rise to one of the most challenging situations which the United Nations has ever had to face. I agree with the Foreign Minister of Argentina when he pointed out that the results so far attained are a demonstration of what international co-operation can achieve when its members are determined to lend their full support.

Canada has played its part in United Nations operations there; it did so at the request of the United Nations, providing specially qualified personnel -- signals, communications, air transport -- and emergency food provisions. Canada is a member of NATO. Is the fact that we are a member of that defensive organization any indication that the course we took, in providing this type of assistance on request, can be described as being aggressive?

As I see it, one of the larger tasks of the Assembly will be to ensure that sufficient support is forthcoming to sustain the United Nations in its efforts to revive the financial and economic life of the Congo. I take this opportunity to assure the Assembly that Canada will assume an equitable share of this burden.

UN Force Needed

I believe too that the experience in the Congo has demonstrated the need to have military forces readily available for service with the United Nations when required. For its part the Canadian Government has held in reserve a battalion transportable by air and earmarked for such service. That experience in the Congo has emphasized, as I see it, the need for the nucleus of a permanent headquarter military staff being established under the United Nations to be in readiness to prevent confusion and to assure cohesion when called upon in an emergency.

Canada's views on the Congo and on the larger African problem may be summarized in this way. The African continent must not become the focus of an East-West struggle; it must be free from the direct interference of the major powers. The African nations must be permitted to work out their own destinies; when they need help, the best source is through the agencies of the United Nations.

I turn now to a subject dealt with at great length by the Chairman of the Council of Ministers of the U.S.S.R., the subject of colonialism. He asked for and advocated a declaration at this session for "the complete and final elimination of colonial regimes". I think it would be generally agreed that, whatever the experience of the past, there can no longer be a relationship of master and servant anywhere in the world. He has

spoken of colonial bondage, of exploitation and of foreign yokes. Those views, uttered by the master of the major colonial power in the world today, followed the admission of fourteen new member nations to the United Nations -- all of them former colonies. It seems that he forgot what had occurred on the opening day.

Freedom for Colonial Peoples

Since the last war, 17 colonial areas and territories, comprising more than 40 million people, have been brought to complete freedom by France. In the same period 14 colonies and territories, comprising half a billion people, have achieved complete freedom within the Commonwealth. Taken together, some 600 million people in more than 30 countries, most of them now represented in this Assembly, have attained their freedom -- this with the approval, the encouragement and the guidance of the United Nations, the Commonwealth and France. There are few here that can speak with the authority of Canada on the subject of colonialism, for Canada was once a colony of both France and the United Kingdom. We were the first country which evolved over 100 years ago by constitutional processes from colonial status to independence without severing the family connexion.

The Commonwealth now embraces ten nations, including the United Kingdom, all of them free and voluntary members from all the continents, comprising one-fifth of the world's population and representing virtually every race, colour, and creed. We are united not by the sword or the seal but by the spirit of co-operation and by common aspirations; and the process is a continuing one. Within the next week another country, Nigeria, the most populous in Africa, will attain its independence and remain in the Commonwealth family.

Colonial Record of U.S.S.R.

Indeed, in this Assembly the membership is composed in a very considerable measure of the graduates of empires, mandates and trusteeships of the United Kingdom, the Commonwealth and other nations. I pause to ask this question: How many human beings have been liberated by the U.S.S.R.? Do we forget how one of the post-war colonies of the U.S.S.R. sought to liberate itself four years ago, and with what results? I say that because these facts of history in the Commonwealth and other countries invite comparison with the domination over peoples and territories sometimes gained under the guise of liberation, but always accompanied by the loss of political freedom. How are we to reconcile the tragedy of the Hungarian uprising in 1956 with Chairman Khrushchev's confident assertion of a few days ago in this Assembly? Mr. Khrushchev said: "It has been and always will be our stand that the peoples of Africa, like those of other continents striving for their liberation from the colonial yoke, should establish orders in their countries of their own will and choice." That I accept -- and I hope that those words mean a change of attitude for the future on the part of those he represents.

What of Lithuania, Estonia, Latvia? What of the freedom-loving Ukrainians and many other Eastern European peoples which I shall not name for fear of omitting some of them? Mr. Khrushchev went further and said: "Complete and final elimination of the colonial regime in all its forms and manifestations has been prompted by the entire course of world history in the last decades..."

No Double Standard

There can be no double standard in international affairs. I ask the Chairman of the Council of Ministers of the U.S.S.R. to give to those nations under his domination the right of free elections -- to give them the opportunity to determine the kind of government they want under genuinely free conditions. If those conclusions were what his words meant, for they must apply universally, then indeed will there be new action to carry out the obligations of the United Nations Charter; then indeed will there be new hope for all mankind.

My hope is that those words of his will be universally acceptable and that he will give the lead towards their implementation here and now.

Need for Resumed Negotiations

I wish now to say a few words on East-West relations. A year ago we had great hopes. There seemed to be a promise of a decisive change in relations among the great powers. We, the smaller powers and the middle powers, find ourselves in the position of trying to make our contribution to removing fear and distrust, to bring about mutual understanding and cooperation. The Ten-Nation-Committee began its work. Until the failure of even the opening of the Summit Conference, there were high expectations. Then came the collapse of that Conference. Then there was the withdrawal of the U.S.S.R. from the disarmament negotiations in June. Then came those propaganda attacks in degree and intensity during this summer, the very violence of which must naturally lead to the view that various issues were being deliberately exploited for the express purpose of raising tension. With mankind waiting for us to act, what good can there come from threats to rain rockets or nuclear bombs on other countries, large or small, to despatch so-called volunteers into situations already dangerously inflamed, to encourage political leaders to follow the line of extremism? Mankind, the peoples of all the nations, are fearful and anxious, and these fears and anxieties aggravate the tensions. I ask for a return immediately to the path of negotiation. It is the only course that the great powers should follow. It is incumbent on this United Nations General Assembly to press for the resumption of negotiations,

particularly regarding those main issues which divide the U.S.S.R. and those associated with it from the Western powers. That is the paramount issue of this Assembly, disarmament. The Canadian Government takes its stand on behalf of full disarmament, to be assured by effective control and inspection. The major powers today possess the nuclear capacity for mutual destruction and to annihilate all. We, the middle powers and the smaller powers, cannot remain silent. We would be the hopeless victims of any nuclear catastrophe that takes place. Quite apart from our instinct for self preservation, mankind knows of the futility of wanton waste. Without a return to negotiations, we cannot hope to arrest the arms race, we cannot hope to still the process of armaments and continuing armaments. The tragedy of the ten-power negotiations was that the breakdown occurred at a time when there was an appreciable narrowing of the gap between the Soviet and Western positions. I wrote to Mr. Khrushchev on June 30. I suggested then a return to the negotiating table. The unanimous voice of the Disarmament Commission in that regard has been disregarded, for in August it called for the earliest possible continuance of disarmament negotiations. I believe that it is imperative for this Assembly to reaffirm the appeal of the Disarmament Commission.

It is not plans and principles which we need, we have four different disarmament plans and two sets of principles; there may be working methods that should be brought about, to be adjusted by agreement. Canada suggested the appointment of a neutral chairman, and is prepared to examine every constructive suggestion. We do not lack appropriate machinery, but we do lack mutual confidence and a general will on the part of the Soviet Government to negotiate.

To Dispel Mutual Fear

That confidence can be increased by dispelling the kind of secrecy which clouds preparations for war and fills the hearts of men with fear of surprise attack. Canada is the nearest neighbour of the U.S.A. and the U.S.S.R. Our people fear, and the people of the U.S.A. fear, a surprise attack across the polar regions. No doubt the people of the U.S.S.R. fear an attack from our side. Canada is prepared to make available for international inspection and control any part of Canadian Arctic Territory in exchange for a comparable concession on the part of the U.S.S.R. They say that we prepare, in co-operation with the U.S.A. in our Arctic areas, to attack. I give them the opportunity now to have an answer to their fears. You open your areas, and we will open ours, and that source of fear will be removed.

I find it difficult to understand, if it was reported correctly, why Mr. Khrushchev should have taken the view the day before yesterday that a resumption of disarmament talks should be conditional, among other things, upon the acceptance of demands

by the U.S.S.R. for fundamental changes in the ten-power committee and in the office of the chief executive of the United Nations.

What other kind of measures might be undertaken? I have frequently had occasion to urge publicly the end of nuclear weapon, the systematic control of missiles designed to deliver nuclear weapons of mass destruction, the designation and inspection of launching sites for missiles, the abolition of biological and chemical weapons, the outlawing of outer space for military purposes and, especially, a ban on the mounting of armaments on orbital satellites, an end to the production of fissionable materials for weapons and the conversion of existing stocks for peaceful purposes. Canada over and over again has advocated an end to nuclear testing.

Controls in Outer Space

I need hardly stress the significance of early agreement on measures like these carried out under appropriate verifications and inspection, for there can be no dissipation of fear unless there is control and inspection. Tremendous advances have been made in outer space. It will be too late a year from now. I hope that at this time consideration will be given to jurisdiction in outer space being assured for scientific and peaceful purposes only, so that all nations, great and small, will have equal rights.

I believe, and Canada takes the stand, that no celestial body shall be considered as capable of appropriation by any state; that space vehicles shall be identified by a system of registration of launchings, call signs and other characteristics; that frequencies for communications with and among space vehicles shall be allocated on a rational and agreed basis.

These tremendous problems require the consideration of the United Nations Committee on the peaceful uses of outer space --and that body to commence its work at once.

Economic Aid

I should like to say a word, too, on the subject of aid and assistance. While the Chairman of the Council of Ministers dwelt at length on the evils of colonialism, he had very little to say about economic assistance to the less-developed countries of the world. I read no pledge to make increased contributions to the United Nations programmes of economic and technical assistance. That was one view expressed by President Eisenhower. Mr. Khrushchev asked simply for a declaration.

There is an urgent need to increase the flow of international economic aid to the less-developed countries, and I think particularly of these newly independent states of Africa. I

believe this. Through the United Nations the material resources for economic assistance must be greatly increased if the needs of Africa are to be met without impairing at the same time plans for assistance in other areas. We in Canada have taken one stand in this regard. We have given economic and technical assistance. We do not condone the imposition upon recipient nations of any particular social, economic or political order. We will maintain our contributions to aid programmes. We will make increases.

Commonwealth African Aid

Canada naturally has a family concern for those countries achieving independence within the Commonwealth of Nations. Last week, the Special Commonwealth African Aid Programme was publicly launched. For this purpose Canada will, subject to Parliamentary sanction, make a contribution of \$10.5 million over three years towards the development of African countries within the Commonwealth, including some of the dependent territories. There will be technical assistance and aids to education under this plan and assistance in the field of capital investment. We regard bilateral assistance within the Commonwealth as complementary to the United Nations programme in Africa and we will take every means to ensure that bilateral aid is closely co-ordinated with United Nations programmes. To the International Bank for Reconstruction and Development we have doubled our subscription. We have made financial provision for a contribution to the International Development Association. We believe that the United Nations Special Fund and the Expanded Programme of Technical Assistance deserve to have increased contributions. The specific amounts of these contributions will be announced by the Canadian Delegate during this session of the United Nations.

One of these -- the OPEX programme -- has proved its effectiveness in providing much needed assistance to new countries. We think it should be made permanent and expanded.

Roster of Experts

We place before you a complementary proposal to establish a roster. We intend, in Canada, to establish a roster of Canadian experts in various fields -- ready at short notice to be sent under United Nations auspices to newly independent states requesting them. They can help in setting up or restoring civil administration such as in the Congo, in distress areas or in disaster areas. National action of a stand-by nature is obviously desirable to supplement the United Nations OPEX proposal. We suggest that experts, in an 'experts bank', if you will, might be recruited for medicine, public health, sanitation, public welfare, distribution of supplies, communications, transportation, and police services. To set up an 'experts bank' would make for administrative stability instead of having to rely on a crash recruiting campaign for this purpose after the need arises.

Food for the Undernourished

One matter which Canada has pressed in the past, and which I now repeat, is in the field of providing aid through food contributions. The problem of feeding the millions of chronically hungry and undernourished peoples of the world is tragic and urgent. Some of our countries have tremendous surpluses of cereals and other foodstuffs. We also have the capacity to increase our production greatly. Canada's surplus of wheat, as of July 31, was 536 million bushels. Surplus food, piled up in sterile storage, is hard to justify when so many human beings lack adequate food and nutrition. I realize, as the Food and Agriculture Organization has stated, that agricultural surpluses of the more advanced countries would only be temporary relief and therefore would be incomplete. I believe, however, that much must be done on behalf of food-deficit countries, first to help them in their hour of need and then to help them raise their own levels of production. This to me is the responsibility of the United Nations as a whole, to meet this challenge.

A few countries cannot underwrite the costs of transferring their surpluses to the countries in need. What we need is to join together in contributing to a solution of truly world-wide scope to this problem of the world's suffering and starving peoples. We have tried to do that.

World Food Bank

We have no ambitions internationally. We covet no country. We want to change no country's views. We have made available in wheat and flour to under-developed countries aid in the amount of \$56 million. I now welcome and commend the suggestion made by the President of the United States last week that the Assembly should seriously consider devising a workable plan along the lines of the "Food for Peace" programme. We envisage a "food bank" to provide food to member states through the United Nations. Such a scheme would require the establishment of concerted machinery which would take into account established patterns of trade and marketing and co-ordinate the individual surplus disposal to improve the effective utilization of wheat.

International Court

Finally, for some reason, we have never been able to secure agreement on the compulsory authority of the International Court of Justice -- that is the judicial arm of the United Nations -- in the strengthening of peace-keeping machinery. The compulsory jurisdiction of the International Court, in the opinion of the country I represent, is of paramount importance. All members of the United Nations are automatically parties to the statute. Canada accepts the compulsory jurisdiction of the Court except in

matters of a domestic nature, but does not itself decide what is of a domestic nature, and leaves it to the Court to decide. I hope that the nations in this organization will declare their readiness to accept the Court's compulsory jurisdiction so as to give sinew and muscle to the decisions that are made.

I have spoken for Canada. We are, as I have said, a middle power, large enough to bear responsibility but not so large as to have traditions of national power or aspirations which arouse fears and suspicion. As a nation of North America, we have our deep roots in two European cultures -- the British and the French -- and also in the cultures of all the other races of men that have come to us.

By the accident of geography and history we find ourselves squarely between the two greatest powers on earth. We have no fortresses facing either. We want to live at peace with our Northern neighbours, as we have lived so long at peace with our Southern neighbours.

In a world passing through two great human experiences -- the thrust of technology and the thrust of political and social change -- new perspectives have been given for a better life. Must we admit that we cannot control these revolutions of science and society? Shall we rather harness them for the common good, do it now and prevent them from upsetting the all-too-fragile foundations on which peace rests today? That is our task. We hear voices that speak of victories for propaganda. We are not here in this Assembly to win wars of propaganda. We are here to win victories for peace. If I understand correctly the thinking of the average man and woman today throughout the world, they have had enough of propaganda, of confusion and fears and doubts. They are asking us for the truth. We are not mustered here under the direction and domination of any nation. We are mustered not for any race or creed or ideology. We are here for the hosts of humanity everywhere in the world. Peoples and nations are waiting upon us. Man's hopes call upon us to say what we can do. My hope is that we shall not leave this place without having done something for mankind, so that we shall be able to say to the peoples of the world that death's pale flag shall not again be raised in war, that fear shall be lifted from the hearts and souls of men. For this could be our last chance to achieve those objectives.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

60/33

DISARMAMENT MEANS NEGOTIATION

A statement by the Secretary of State
for External Affairs, Mr. Howard Green,
to the United Nations General Assembly
on October 11, 1960.

I do not need to remind this Assembly that disarmament is the most important question facing us; in that regard, I agree with the statement to that effect made by Premier Khrushchov. Nor do I need to emphasize my country's serious concern for the earliest possible solution to this pressing problem.

Canada's nearest neighbours are the U.S.A. on the south and the U.S.S.R. to the north; in other words, we happen to live between the two nations which would be the main antagonists in a nuclear war. We are directly and vitally affected by any increase in world tension.

Under these conditions, it will be easily understood by all delegations why Canada is anxious to see a thorough discussion of all the disarmament items on the agenda.

Premier Khrushchov said in his remarks that the representatives of the Western powers do not find time for discussion of disarmament. This, I submit, is not an accurate statement. I believe that every member of this Assembly stands ready to discuss disarmament now.

The immediate purpose of the Assembly, however, is not to enter upon a substantive discussion of disarmament today but to consider a procedural question raised in the draft resolution submitted by the Soviet Delegation in Document A/L/311. We are dealing here not with the merits of disarmament but only with the question of allocation. The U.S.S.R. is proposing that the UN General Assembly decide to allocate to plenary meeting the Soviet item on disarmament, which reads as follows: "Disarmament and the situation with regard to the fulfilment of the UN General Assembly Resolution 1378 (XIV) of November 20, 1959, on the question of disarmament".

The effect of the proposal now made by the U.S.S.R. would be to change the allocation made by the General Committee. After a thorough discussion, that Committee recommended, by a very decisive majority, that this item should be allocated to the First Committee. We believe such a recommendation to have been the correct one.

Negotiation the Key

In the discussion in the General Committee and earlier in the meeting of the Disarmament Commission which took place in mid-August, the Canadian Delegation drew attention to the basic truth - and I point out today that this is the basic truth - that, if the deadlock in disarmament is to be ended, negotiations must be resumed. The key to the situation is negotiation. I suggest that the main task of the fifteenth UN General Assembly is to bring about negotiations, not just speeches but negotiations.

The practical way to bring about a resumption of negotiations is by considering all the various disarmament items in the First Committee. Discussion there is more informal than in plenary session. Ideas can be more easily exchanged; questions can be asked and answers given spontaneously. The whole atmosphere is more conducive to reaching agreement.

Plenary Debate Mere Repetition

Moreover, a debate on disarmament in plenary would merely be a repetition of the general debate which has been under way for nearly three weeks; practically every speaker in that general debate has dealt with the question of disarmament. What useful purpose will it serve to begin another general debate after the debate that has been going on for three weeks?

It is interesting to recall that one of the main arguments used in the General Committee in support of allocating this item to plenary was that heads of state would be taking part in the debate and that it would be inappropriate for them to do so in the First Committee. I could never understand why they could not appear in that Committee, but that was the argument. It was never a valid contention, and it certainly is meaningless now, with the last heads of state departing.

By the end of this week I predict that there will be no more heads of state in New York than you could count on the fingers of one hand. But, if they want to come back later in this session to consider the results of the First Committee's deliberations, there is no reason why that could not be arranged.

Soviet Item Not Unique

Then it should be remembered that this Soviet item is not the only one dealing with disarmament. Premier Khrushchov mentioned no other item on disarmament, but his is not the only one. Yet an attempt is being made to single it out for discussion in plenary, leaving the others to the First Committee. Each one of these other items on disarmament is of equal importance. For example, the report from the Disarmament Commission of the UN contains the resolution adopted unanimously in that Commission less than two months ago, after a first-class discussion which lasted three days.

One paragraph in that resolution passed by the Disarmament Commission in August goes to the very heart of the problem now facing us in disarmament. That paragraph reads as follows: "The Disarmament Commission considers it necessary and recommends that, in view of the urgency of the problem, continued efforts be made for the earliest possible continuation of international negotiations to achieve a constructive solution of the question of general and complete disarmament under effective international control."

That is one key to the problem we are facing today. A third item connected with disarmament has been submitted by India, dealing with the suspension of nuclear and thermo-nuclear tests. Certainly, to all non-nuclear nations, including Canada, this resolution is of great importance. Our stand has been that there should be no more such tests.

The fourth disarmament item comes from Ireland, calling for the prevention of the wider dissemination of nuclear weapons. The aspect of the disarmament problem raised by that resolution has great urgency, for, if no agreement is reached on disarmament at an early date, it may be - it just may be - too late to stop the spread of such weapons.

Discussion Belongs in First Committee

It is our view that all four disarmament items, including the Soviet item, should be dealt with in the First Committee and should be the first business of that Committee. There is no reason why those discussions on disarmament should not start later this week. Such action holds the best hope of any progress being made on the disarmament question during the present session. I am sure that will be the case, because the Chairman of that Committee is our good friend and colleague, Sir Claude Correa.

Whether the four items are brought together under a single heading and discussed as a unit or remain separate items, I presume some latitude would be allowed in the discussion; for example, that a representative discussing the report of the Disarmament Commission would not be ruled out of order if he were to express his government's concern regarding nuclear tests. In any event, these four items are related - closely related. Their separation, at least for purposes of discussion, would be highly artificial - even though each item will probably give rise to a separate resolution - as has happened in other years. What would be the sense of discussing the Soviet item in plenary and the other disarmament items in Committee?

Canada is particularly interested in following up the resolution of the Disarmament Commission, which urged the earliest possible continuation of international negotiations on disarmament. As a member of the Ten-Nation Disarmament Committee, we know that considerable progress was made during the sittings of that Committee.

Evidence of Compromise

This is a fact which has not been generally recognized. However, it is clearly evident from a comparison of the original disarmament plans submitted in March by the two sides with those brought forward in June.

The revised plan of each side clearly reflected an effort to meet the views of the other and brought the two sides appreciably closer to agreement on many points. The progress made in that Ten-Nation Disarmament Committee should not be thrown away. Today is no time for recrimination and I do not intend to stir up trouble, but I still do not understand why the Eastern five on that Committee decided to walk out of that Committee just as new Western proposals were about to be introduced. I have always thought that was a most unwise action.

In the course of the general debate, a number of suggestions have been made for improving work of the Disarmament Committee. Canada, for example, has put forward the idea of providing a neutral chairman, and believes that other nations should be invited to assist with technical studies. The First Committee is the proper place to discuss all such suggestions.

Every nation represented in this Assembly stands to gain by disarmament and this is particularly true of the non-nuclear powers. The very fact that the non-nuclear powers cannot defend themselves against the nuclear powers makes disarmament a matter of life and death for them. The situation of the non-nuclear powers today is intolerable. They have a special contribution to make in the discussion of this problem. I suggest that contribution can now best be made in the deliberations of the first Committee addresses itself to the immediate task of finding a way for the resumption of disarmament negotiations.

There are so many constructive, worthwhile things to do in the world today, so much development is required in every nation in the world, so many peace-time problems to solve.

There is plenty to keep all nations busy, both large and small, without spending so much energy and wasting such vast resources on preparations for a nuclear war.

The key to unlock the door to this happier age is disarmament, and for disarmament negotiating is essential. I suggest that today there is no other road to relaxation of world tension.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

60/34

DISARMAMENT AND THE NON-NUCLEAR POWERS

A statement by the Secretary of State
for External Affairs, Mr. Howard Green,
in the First Committee of the United
Nations on October 19

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I have no wish in my statement today to re-open the arguments of the past. It seems to me that, for the time being, we must leave aside debates about which side has the better set of principles--important as they are, and I admit this importance--or which has the better plan for disarmament. The situation facing us is so serious that we must concentrate on the task of getting negotiations restarted. This is the prime responsibility of the First Committee at the present time.

Moreover, in approaching the problem of disarmament at this session, I suggest that we take our main guidance from the 28-power resolution adopted unanimously on October 17. Among other things, it urged that "immediate and constructive steps should be adopted in regard to the urgent problems" facing us. This extract was quoted this morning by the representative of the U.S.S.R., --but, even so, I think it worthwhile repeating.

Concerted Action Urgent

The need for serious discussion and action on our part is greater than ever. Almost without exception, the statements made during the course of this fifteenth session of the United Nations General Assembly have underlined the urgency and the importance of concerted action to restart the disarmament negotiations and to facilitate progress in them. We have been reminded that on a solution to the disarmament problem may well rest the question of whether or not there will be a new world war, and I believe that no one in this room today doubts that this potential danger exists.

But many of those who wish to see disarmament achieved, because they realize the awful consequences of not doing so, have not yet come to the equally important realization that successful negotiations will involve genuine compromise and balanced concessions from both sides, even though these may appear, in a short-term view, to involve some sacrifices.

It is this fact which must be realized and acted upon, before we can return, as return we must, to serious negotiations. Without this resolve, taken fully and consciously by all of us, no speech-making, no resolution, no change of negotiating bodies and no juggling of plans will have the slightest effect on the likelihood of real progress.

Negotiation Before Agreement

In his statement this morning, the representative of the U.S.S.R. took the position that, before negotiations begin, it is necessary to reach agreement. That is the real meaning of his assertion that unless the UN General Assembly agrees on the basic principles of general and complete disarmament the cause of disarmament will not be benefited by the resumption of negotiations. In our view, the purpose of the negotiations is, in the first place, to find a basis for agreement and then go on to develop that agreement. That is why it is so essential to focus attention on the central problem of restarting negotiations, whether or not agreement is reached here on basic principles.

I have often expressed my conviction that the way to disarmament lies through serious negotiation--that is, hard bargaining about concrete measures, pursued in good faith, with patience and determination until an agreement is reached. The most recent attempt to negotiate disarmament agreements was made, of course, in the Ten-Nation Committee. In renewed disarmament negotiations, surely it would be wiser to capitalize on and consolidate such progress as was made in the Ten-Nation Committee than to start from the beginning all over again. For its part, Canada is ready now, today, to resume the work which the Ten-Nation Committee began in Geneva, because, as the representatives know, we happen to be a member of that Committee.

It can hardly be said seriously that the Ten-Nation Committee is not suited for hard bargaining. It embodies essentially a "two-sides" conception; it brings face to face the powers possessing the most powerful weapons and having the most experience in disarmament negotiations. Whatever the shortcomings of the negotiations, and I admit that there were shortcomings, they cannot be blamed on the negotiating forum.

Packaging the Problem

Unfortunately, in the Ten-Nation Committee the two sides have tended to talk at cross-purposes. In an effort to avoid this, the Canadian representative in the Ten-Nation Committee made several suggestions for concentrating the discussion on substantive measures. One was that proposals of comparable significance from the plans of each side should be discussed in packages. That is, a proposal by the Soviet side should be considered in conjunction with the proposals from the Western side and an attempt made to reach agreement on

those two proposals--one from each side. And we described this as discussing the problem in packages. This was not a proposal that we seek only partial disarmament, as some have argued, but rather what we believe is a practical approach to the negotiations--a practical way to start getting results.

A desire to ensure a business-like approach in the Committee was also the basis for my suggestion in the Disarmament Commission, which sat in this room two months ago, that the negotiating committee might benefit from having a neutral chairman. I have in mind a chairman known for his record of impartiality and for his experience in dealing with difficult discussions. The basis of selection would be personal qualities rather than nationality. He might be a national of one of the middle or smaller powers which have not been connected with current negotiations; for instance, I give as an example the chairman of the Disarmament Commission, or it might be a citizen of a country which does not belong to the UN, such as Switzerland.

Task of Chairman

The neutral chairman would attend impartially to the procedures of the Committee and see that it had a regular order of business at each meeting. With such a chairman and procedure, the Committee would be spared, I am sure, the talking at cross-purposes. In short, this neutral chairman could assist in conducting a discussion on the complex maze of problems which compose the disarmament question.

For if we have learned anything at all during the protracted international discussion of disarmament, it is that the subject is complicated, and grows more so with each passing week, month and year of weapons development. We need only remember the statements which have already been made in this discussion today to realize that fact. If we are ever to cope with the growing problem, we must make a start on actual measures, without detracting from the more comprehensive plans related to ultimate goals.

The very complexity of the issues indicates one way to make progress, and that is, through technical studies. It is already common ground that many measures of disarmament and their verification will require joint technical studies before there can be agreement on and implementation of actual measures. And in this connection, I was somewhat surprised to hear the representative of the U.S.S.R. arguing so strongly this morning against technical studies. In a minute or two I hope to be able to show that his own side have expressed great interest and have actually carried out joint technical studies in the three-power committee at Geneva.

Draft Resolution on Technical Studies

It seems to my Government that a useful list of possibilities--which does not necessarily have to be treated as exhaustive--is to be found in the draft resolution on technical studies submitted by the United Kingdom in Document A/C1/L251. This draft resolution, as I understand it, seeks to give expression to the important suggestion made by Prime Minister Macmillan in the general debate that many aspects of the disarmament question might usefully be approached from the scientific point of view. The Canadian Government favours this approach and believes it capable of extension, even beyond the limits which the United Kingdom may have envisaged for it.

We see this as a procedure to expedite negotiations --not to delay them as some would suggest. The powers concerned should be willing to begin joint technical studies concerning the measures, at the earliest possible date, irrespective of any interruption in the political negotiations on disarmament. If it is agreed that studies are required in order to facilitate negotiations, why not undertake those studies at once?

The studies would be conducted by experts, especially by nationals of the powers directly concerned in the negotiations because of their technical knowledge and direct involvement in the problems. But, and I repeat that, but qualified experts from other countries--whose contribution would be based on technical competence rather than on political viewpoint--could also participate in the studies, and, we believe, could make an extremely valuable contribution.

I agree with the Foreign Minister of Sweden, who said, the other day, in his remarks in the UN General Assembly, that there would be a need for more than one technical study-group. Whatever conclusions those experts might reach need not affect the political bargaining between the two sides in the negotiations, but the negotiating nations would benefit from having a qualified presentation and assessment of the technical problems involved.

The negotiations concerning the discontinuance of nuclear weapons tests serve as a model in this respect. In the Canadian view, these negotiations have shown more promise of serious intent than any others relating to disarmament.

Expert Deliberation

By agreement between the U.S.S.R., U.S.A. and U.K.--and here I point out that what happened is not in line with what the representative of the U.S.S.R. was advocating this morning--those negotiations began with a preliminary scientific study concerning the feasibility of controlling violations of any international agreement to discontinue tests. This joint technical study, which took place in the summer of 1958,

before the political negotiations had even begun, involved a group of experts from eight countries--not only from the three, but from eight countries--who eventually produced a set of agreed conclusions which greatly facilitated the work of the subsequent three-power conference.

From time to time, moreover, the three powers have had occasion to refer other problems to their technical experts, acting jointly, for scientific study. What I am suggesting is that the same sort of process could and should be applied to the technical problems involved in various disarmament measures.

As regards nuclear tests, I should like to place on record at this point the satisfaction of the Canadian Delegation that the three-power conference has continued in being and that the work on a draft treaty has progressed as far as it has. The Canadian Government has taken a clear position against further nuclear testing.

No Renewal of Tests

For this reason, we are gratified that the three nuclear powers unilaterally discontinued their tests during the negotiations. As we all know, no such tests are going on at the present time, and there has been none for nearly two years. We hope that this discontinuance will be enshrined in the treaty now being negotiated and that many other powers will accede to it once it has been concluded.

This much-needed example of international co-operation in an area in which all nations have a vital interest would constitute a valuable precedent for the establishment of verification procedures in the field of nuclear disarmament. We assume that the concern of the UN General Assembly about nuclear testing--and that will come up, of course, in the consideration of the Indian item on the agenda--will be expressed in such a way as to sustain the sense of urgency in reaching agreement on the remaining problems in the three-power negotiations.

Responsibility of Non-Nuclear Powers

It will be obvious from what I have said so far that the Canadian Delegation is determined to concentrate its efforts at this session on ideas and suggestions designed to restart the machinery of negotiation at the earliest possible opportunity and to facilitate progress in negotiations. We believe that the non-nuclear powers have a direct responsibility for urging that the search for agreement be pursued with the utmost vigour. We believe that the non-nuclear powers represented around this table must put the pressure on the nuclear powers to see that the search for agreement is not dropped but is continued with the utmost urgency, because the fate of the whole of humanity is at stake in this question. We are not here simply debating a theoretical point; we are debating the future of civilization--possibly whether there will be any future civilization or not--

and I repeat that the non-nuclear powers have a direct responsibility for urging that the search for an agreement be pursued with the utmost vigour, that the procedural questions and the red tape and all the smoke-screens be done away with, and that action be got on with in regard to these negotiations.

Role of General Assembly

I have no doubt that this Assembly can have and must have an important effect on the current impasse on disarmament questions. It is imperative that the Assembly should follow up vigorously the Disarmament Commission's call in August for the earliest possible continuation of negotiations. My Government drew great satisfaction from the unanimous adoption of that resolution by the Disarmament Commission. I should like to quote to the representatives present here the important paragraph of that resolution:

"The Disarmament Commission,

"Considers it necessary and recommends that, in view of the urgency of the problem, continued efforts be made for the earliest possible continuation of international negotiations to achieve a constructive solution of the question of general and complete disarmament under effective international control." (DC/182).

That was not a resolution passed simply by a majority vote; it was passed unanimously by the Disarmament Commission, which, as we all know, has on it representatives of every member state of the UN.

Only by mobilizing the world demand for action on disarmament--and all of us here know that there is such a world demand, the people of the world are demanding that action be taken--can we hope to develop the kind of pressure needed to induce the nuclear powers to do something about the dangerous development and spread of armed strength--in short, to negotiate seriously about disarmament.

We can do more than merely call for resumed negotiations. We can adopt proposals designed to improve the machinery of negotiation. I have already suggested that a neutral chairman be appointed to assist the two sides. There is, as well, the commendable U.K. proposal for a technical study-group.

An Advisory Committee

My further suggestion is that the Disarmament Commission should be asked to establish an advisory committee--perhaps a group of ten or twelve members representing the main geographical areas. I should regard it as a kind of watchdog committee, offering advice and encouragement to the negotiators. The

advisory committee could report direct to them--but the Disarmament Commission of the UN would be kept informed and consulted. For its own purposes, this advisory group could receive reports and suggestions from the negotiating body, from the technical study-group or from other members of the Disarmament Commission.

We are often properly reminded that the interests of every country in the world are at stake in disarmament. But, obviously, in making progress toward the goal of disarmament, different countries have different roles to play. The contribution which can be made by the great powers is naturally different from that which can be made by the middle and small powers of the world. There is a good deal to be said for recognizing this fact in the machinery which we set up for examining the question of disarmament.

Role of Smaller Members

It would be a practical impossibility to have technical studies on disarmament measures which did not involve experts from the great powers. However, there is another important area of disarmament in which the middle and smaller powers have a special role and, I believe, a vital role. This is in the broad field of principles, proposals and new ideas. In our view, a representative group of UN members, as I have suggested, could make very helpful suggestions to the main negotiating group.

Let me illustrate this by giving some examples of what such an advisory committee, such a watch-dog committee, could do.

First, they could consider the various sets of principles which have been advanced with a view to finding a common definition. It is perfectly obvious, from what we have heard today, that this First Committee could very easily get into a debate on general principles, and would then probably reach only disagreement at the end of that debate. I suggest that here is a field for this advisory committee--consideration of the various sets of principles which have been advanced.

Secondly--and I am simply putting these suggestions before the representatives for their consideration, there are probably many others that will be made--they could look at specific proposals, like the important Irish proposal for the prevention of the dissemination of nuclear weapons. The non-nuclear powers, and indeed the people of the world at large, are vitally concerned in this proposal.

Thirdly, they could consider how best to deal with weapons of mass destruction--nuclear, bacteriological and chemical--and their means of delivery.

Fourthly, they could examine the problems of peace-keeping machinery in relation to the programme of disarmament.

Fifthly, they could explore the relationship between this machinery and the disarmament control organization, and the relationship of both to the UN.

And sixthly, they could discuss new ideas--and certainly it would not do any harm to have some new ideas handed to the negotiating committee--new ideas which would be based on their own views about the importance and urgency of various measures of disarmament.

This non-technical advisory committee on disarmament would be available to the negotiators and, as I have said, could make reports to them. The advisory committee's studies and reports would not conflict with those of the proposed technical group, which would be concerned with administrative, scientific and military details.

Disadvantages of Great-Power Negotiation

My main suggestion is that the great military powers have one role to play in disarmament and the middle and smaller powers another which is no less vital and important. The Ten-Nation Committee provides a workable forum for negotiation between the rival great-power groups; and new negotiating body should preserve that "two-sides" conception. However, this two-sided approach to disarmament has been made at the expense of the representation of middle and smaller powers and at the expense of close ties with the UN. As a middle power, Canada is a strong believer in the importance of maintaining the Charter responsibility of the UN in all areas of peace and security.

It is the view of the Canadian Government that, in making preparations for restarting and facilitating disarmament negotiations, we should strive to strengthen the influence of the middle and smaller powers--and ultimately the UN--on these negotiations. This is the sense of the various suggestions I have put forward in my statement this afternoon. I commend them to the members of the Committee for consideration, and I should be delighted to have other suggestions coming from other middle and smaller powers. The challenge facing us today is very clear. The challenge is to bring about a resumption of negotiations, and we must spare no effort to achieve that result.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 60/35

SURPLUS FOOD AND HUNGRY PEOPLE

A statement to the Second (Economic and Financial) Committee of the United Nations on October 24, 1960, by H.E.W. Irwin, Canadian Representative on the Committee.

...It is a privilege to table formally in this Committee draft resolution A/C.2/L.459, co-sponsored by Canada, Haiti, Liberia, Pakistan, United States of America and Venezuela, on the question of the provision of food surpluses to needy peoples through the United Nations system. This is a subject which my Delegation considers to be one of the most important, if not the most important, of those to be considered at this year's session of the Second Committee.

Canada has repeatedly urged that international action be taken to provide food, which is in surplus in some parts of the world, to needy and hungry peoples in other lands. It is one of the great anomalies of our time that there are widespread areas in desperate need of food while at the same time there are other areas where foodstuffs are in abundant surplus. Surely the international community has developed a sufficient sense of responsibility and adequate experience with the techniques of international co-operation to find some way by now out of this dilemma. The co-sponsors have joined together to submit draft resolution A/C.2/L.459 in an effort to have the Assembly consider this tragic human problem as a matter of great urgency. In his speech to the General Assembly on September 26, Prime Minister Diefenbaker re-emphasized Canada's determination to seek international action on this question, stating: "I believe that much must be done on behalf of food-deficit countries, first to help them in their hour of need and then to help them raise their own levels of production. This to me is the responsibility of the United Nations as a whole to meet this challenge." He went on to say: "We envisage a food bank to provide food to member states through the United Nations. Such a scheme would require the establishment of concerted machinery which would take into account established patterns of trade and marketing and co-ordinate the individual surplus disposal to improve the effective utilization of wheat."

Slow Progress

It must be admitted that progress in this matter has thus far been slow and to us in Canada, and no doubt even more so to the food-deficit countries, disappointing. On a number of occasions in recent years, the Prime Minister of Canada has urged that specific programmes be established to make available surplus foodstuffs for consumption in those parts of the world where food shortages occur. As far back as December 1957, Prime Minister Diefenbaker, speaking in Paris, referring to the needs of hungry peoples, stated that: "The conscience of the free world will not accept a situation where half mankind is well fed and the other half is starved". He advocated the establishment by some of the more fortunate countries of something in the nature of a food bank whereby food would be made available for distribution among those countries that were struggling for economic advance but which were held back by low or inadequate nutritional levels among their populations.

At the opening session of the Food-for-Peace Conference held in Washington in May 1959, the Canadian Minister of Trade and Commerce expressed Canada's hearty support for the humanitarian objectives of the President of the United States in his proposals to Congress for the more effective use of surplus food supplies in the interests of peace and he recalled Prime Minister Diefenbaker's many previous suggestions for international action to alleviate distress and to promote economic development in less fortunate countries of the world. At the last session of the FAO Assembly in October 1959, the Canadian views on this subject were once more put forward. The Canadian Minister of Agriculture, referring to the challenge of surpluses and hunger continuing side by side, urged member countries to encourage and assist multilateral action whenever possible.

Role of FAO

My Delegation recognizes that the draft before you is open to improvement and I would emphasize that we are deeply interested in the views of other delegations on the issues raised in that resolution. For our part, we would earnestly hope that the FAO, in its study of the feasibility and acceptability of new arrangements for mobilizing and distributing available surplus foodstuffs in areas of greatest need, will find it possible to recommend for this purpose the establishment of a UN food bank which would be supported by all member countries on an equitable financial basis. As Prime Minister Diefenbaker said on September 26: "A few countries cannot underwrite the costs of transferring their surpluses to countries in need. What we need is to join in contributing to a solution of truly world-wide scope to this problem." Canada would of course expect that any food bank that might be established as a result of the FAO's study would be both realistic and workable. We fully agreed with the distinguished representative of Argentina when, on October 18, he said that any international arrangements established for the disposal of surplus agricultural commodities must avoid damage to legitimate and normal commercial trade. Our own trade has in the

past been disrupted by erratic surplus disposal arrangements and we would certainly have no intention of ourselves supporting action which would have this effect. The Delegate of Argentina is correct in saying that the conception of a world food reserve has been studied in FAO and considered at various times in the past. But times are changing, and my Delegation is convinced that a fresh look at this problem, in an atmosphere of goodwill and sympathy for the world's suffering people, could this time produce concrete results.

The problem is admittedly complex, but in our view its solution is of the greatest urgency, for every day the numbers of hungry people increase. Let our goal be the abolition of hunger in a world where hunger should no longer exist and let us now join together in taking a great and decisive step forward.

...I now propose to comment briefly on the text of the resolution itself and to refer to some of the comments other delegations have been good enough to make both in the Committee and outside it on this subject. The statement which I have made in the first part of my intervention governs of course everything that I will be saying in this second part.

In the first place, may I say how much my Delegation appreciates the spirit in which this resolution has been received. We believe that there is now a general appreciation of its purposes.

Effect of Food Shortages

There is one specific aspect of the resolution's preamble which I would like to emphasize. This is the close relationship between shortages of foodstuffs and economic development programmes. I make these comments on the basis of Canada's experience with such problems under the Colombo Plan. On many occasions in the last ten years, governments in South and Southeast Asia have been obliged to curtail and in some instances even stop major projects in their economic development programmes because of a lack of foreign exchange and even of domestic financial resources. One of the main causes for some of these sudden changes of plan has been the unexpected foreign exchange expenditures that governments in the area have had to make for the purchase of foodstuffs in order to avoid serious famine conditions. Much work has, of course, already been done under bilateral programmes and under the various multilateral programmes to alleviate and to assist in preventing recurring crises of these kinds.

Turning now to the operative paragraphs, I hope there will be unanimous support of the Freedom-from-Hunger Campaign launched by the FAO. Similarly, I assume that an appeal of the kind contained in operative paragraph 2 is one which should receive broad support. Operative paragraphs 3 and 4 do not seem to call for specific comment at this stage.

Paragraph 5 is the first of the two main operative paragraphs of the resolution. The observations which follow represent the Canadian interpretation of the purpose and objectives which these paragraphs are designed to reflect.

In the first place, as the distinguished representative of FAO has already told us, any action by the FAO which would involve the expenditure of substantial funds would have to be the subject of detailed decisions by the appropriate organs of the FAO. This Assembly may, as indeed we have already done in this Committee, question the representative of FAO about FAO's procedures and practices but we should, I think, keep in mind that these procedures and practices are not subject to control by this Assembly. However, it seems clear that, without in any way prejudging what the properly constituted authorities of the FAO may decide, the FAO could take some early action designed to carry out the objectives of this resolution.

Principles of Surplus Disposal

The passage at the end of operative paragraph 5, which, I might say, applies equally to operative paragraph 6 and which refers to the FAO principles for the disposal of surplus agricultural commodities, is of major importance to my Delegation. This section provides the kind of protection which the distinguished representative of Argentina has stated must be available at all stages during consideration of this subject. These principles, which have been worked out in co-operation with representatives of all the different interests involved, clearly involve a protection of normal commercial trade in agricultural commodities and also provide that agricultural surpluses should not be disposed of in such a way as to damage agricultural development in the less-developed countries.

Operative paragraph 6 is perhaps more closely related to the Canadian position than any other part of this resolution. My Government, as I have indicated, has views which are clearly on the record which it intends to press vigorously in the FAO. Nevertheless, the language of paragraph 6 clearly provides that the FAO will be requested to study "the feasibility and acceptability of additional arrangements". This paragraph clearly does not preclude the submission of other proposals in the FAO by other members.

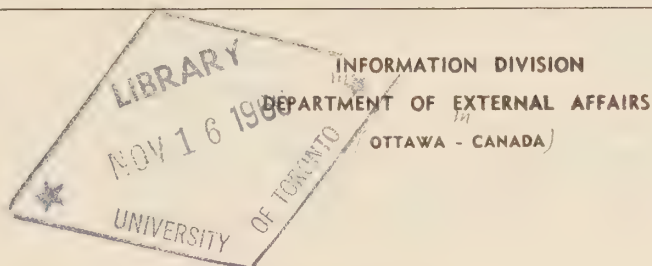
Canada has always opposed wasteful duplication of effort in international organizations and members of this Committee can take it for granted that we should not have supported language which would create conflict between the FAO organization and the United Nations organization itself or between their respective secretaries. We would anticipate that the studies coming forward under operative paragraphs 7 and 8 would be fully co-ordinated so as to avoid duplication.

May I conclude by stressing that my Delegation has a flexible position with respect to the language in this resolution and looks forward to hearing the comments of other delegations on the text contained in L.459. We, and I am sure the other co-sponsors, would be prepared to take such comments into account before final action on this resolution, since it is our understanding that the great majority of delegations in this Committee endorse the general objectives of this initiative.

s/c



STATEMENTS AND SPEECHES



No. 60/36

AN IMPARTIAL APPEAL FOR DISARMAMENT NEGOTIATIONS

A statement by the Secretary of State, Mr. Howard Green, in the First Committee of the United Nations on November 1, 1960.

... My purpose in intervening in the debate at this time is to call to the attention of the First Committee a joint draft resolution which I intend to submit in the name of Canada, Norway, Sweden and others. Although the Committee will be discussing various resolutions at a later stage, I believe that it may facilitate our work if I give some indication now of what the co-sponsors seek to achieve in submitting their draft proposals.

In his most helpful statement yesterday, the distinguished Foreign Minister of Sweden clearly described the situation now facing the Committee. He pointed to the need for concentrating at this time on the essential question of negotiating machinery.

Document Not Controversial

First I wish to emphasize strongly that the draft resolution is not intended to be a controversial document. It seeks neither to endorse the position of any one side nor to cast criticism in any one direction. It is concerned mainly with the problem of restarting negotiations and facilitating the attainment of the goal of general and complete disarmament under effective international control. It goes farther than a mere exhortation in this regard, however, by seeking to strengthen United Nations influence on the course of negotiations and principally to bring to bear the opinions and views of the middle and small powers. It provides for preparatory steps to be taken at once.

All states have an interest in the outcome of our deliberations in this Committee. Peoples everywhere are watching and waiting and hoping. Thus far the General Assembly in this fifteenth session has not given much promise for the future. But if we accomplish nothing else at this session, we must try to speak with one voice in favour of resuming serious disarmament negotiations at the earliest possible time. We must check the drift, so noticeable in recent weeks, away from serious talks and in the direction of sterile propaganda debates.

This is the underlying intent and purpose of our joint draft resolution. The basic motives can be summed up in the language of the fourth paragraph of the preamble. It acknowledges that the co-sponsors - like the members of this Committee and indeed all the nations of the world - are "disturbed that, despite agreement on the common goal of general and complete disarmament, negotiations are not proceeding." The paragraph is clearly intended as an expression of deep anxiety about the interruption of disarmament negotiations.

Negotiating Machinery Needs Revitalizing

Because we are so deeply troubled by these developments, we believe strongly that the General Assembly must try to stop the deterioration in relations and turn the trend back to the path of negotiation. The draft resolution seeks to accomplish this by revitalizing the negotiating machinery. This thought finds expression in the fifth paragraph of the preamble, which deems it "essential that preparations should be begun immediately to facilitate the earliest possible continuation of disarmament negotiations."

The co-sponsors view their proposals as expressing a universal desire and need. Hence, in the preamble, we have laid emphasis on unanimity by referring to resolutions adopted earlier by the General Assembly and by the Disarmament Commission. These unanimous decisions and recommendations provide us with a point of departure for our current deliberations. In the debate in this Committee and in the general debate at the outset of the fifteenth session, speakers, almost without exception, have called for speedy action to deal effectively with disarmament.

In further acknowledgment of this widespread concern, we have recognized fully in the preamble that, while the main responsibility for negotiating rests on the nuclear powers, other states also have a responsibility and the deepest interest in assisting the negotiations. I have frequently expressed my conviction that the middle and small powers, indeed all the non-nuclear powers, must join together in mobilizing opinion in favour of early action on disarmament.

I have been speaking about the main considerations that prompted the co-sponsors to put forward these proposals. I now turn briefly to the proposals themselves - that is, to the operative part of the resolution.

In keeping with the general approach in the draft resolution that is to strengthen the United Nations influence on the course of disarmament negotiations, the first operative paragraph "reaffirms the continuing and ultimate responsibility of the United Nations in the field of disarmament."

The second operative paragraph deals with the heart of the matter, the resumption of serious negotiations. This paragraph calls for every effort to be made to achieve a solution of disarmament problems by means of the earliest possible continuation of negotiations.

Negotiation Forum

The paragraph takes no particular stand on what forum should be used for negotiation. On many occasions I have stressed my preference for a return to the Ten-Nation Committee because of its obvious advantages. The only criterion suggested in the resolution is that the negotiations should be resumed in a body agreeable to the negotiators, which, in practical terms, means that the nuclear powers must agree on the forum.

They are encouraged to consider, however, the appointment of one or more impartial officers to assist in the negotiations. In my statement on October 19, I explained the Canadian suggestion for an impartial chairman, and others in this debate have expressed themselves in a similar sense. Our own experience in the Ten-Nation Committee would lead us to believe that these suggestions merit careful consideration.

This second operative paragraph is, and must be, largely an earnest expression of hope, because serious negotiations can take place only if the negotiators themselves are willing to act. The remaining operative paragraphs, however, seek to give that hope some promise of fulfilment and also to turn to good advantage whatever interval may elapse between now and the time when the desired negotiations can be resumed. These other paragraphs call for the immediate establishment of United Nations machinery specifically charged with responsibility for assisting in bringing about an early resumption of negotiations.

Special Committee

Our proposal recommends that an ad hoc committee be established by the Disarmament Commission. In my earlier speech I spoke about an advisory or watchdog committee. I believe that the setting up of an ad hoc committee, a modification that has emerged from consultations with other delegations, is just as appropriate under present circumstances. The committee should be composed of a limited number of states that do not possess nuclear weapons and are to be selected on the usual United Nations basis of equitable geographical representation. It is rather important, from the point of view of efficiency, that the committee be not too large.

The question of composition is to be decided in the Disarmament Commission obviously on the basis of close consultation among delegations. It is the view of the sponsors that there should be no delay in establishing the ad hoc committee. The Disarmament Commission could and should meet in the course of the present session to carry out these recommendations by the General Assembly.

The terms of reference of the ad hoc committee have purposely been stated in rather general language. It would be a mistake to limit the group's activities by setting down a list of matters to which it should devote its attention exclusively. Besides, any elaboration of the role of the proposed committee should be the responsibility of the Disarmament Commission. We have made it clear, however, that it has an urgent responsibility for dealing at once with the problem of getting negotiations restarted.

The ad hoc committee would seek to accomplish this by examining urgently ways and means of assisting the resumption of serious negotiations. As I have said, this is primarily a problem which the negotiating powers, and principally the nuclear powers, must solve for themselves.

It is quite obvious from the debate in the First Committee that there are sharp differences among those powers. It is our thought that the ad hoc committee might find a way to assist in resolving them.

Similarly, once the negotiations have restarted there could be many ways in which a committee of this kind could contribute to the success of the negotiations. This would depend in large part, however, on the progress achieved in relation to the initial task. The Disarmament Commission would have an opportunity to weigh the results when the ad hoc committee reported to it.

In the last analysis the exact role the ad hoc committee can play will depend on the energy and earnestness with which they tackle their tasks and on the co-operation they receive from the negotiating group. I myself am confident that the committee could make a useful contribution.

We do not expect miracles to be achieved by the proposed ad hoc committee. We believe mainly that it will serve to focus the attention of the United Nations on the future negotiations.

To underline the urgency of its initial work, assisting the resumption of negotiations, it is proposed that the ad hoc committee be set up at once and report back to the Disarmament Commission not later than April 1. This will afford time to explore the possibilities for renewed negotiations and perhaps to make suggestions for bringing them about. It is surely not too much to hope that the nuclear powers will even now be giving thought to the resumption of disarmament talks.

In any event, we are seeking to ensure that these matters are kept under close scrutiny by an appropriate United Nations body. My Delegation considers that this feature of our joint proposals merits the support of the vast majority of members of this Committee. The many expressions of anxiety and concern we have heard at this session have persuaded us that the non-nuclear powers are no longer content to sit by passively, as was the case from 1957 to 1959, while the nuclear powers allow disarmament issues to remain in deadlock, without any effort to resume negotiations.

I have touched upon the main features of the joint draft resolution now before the Committee. I believe that it is neither incompatible with, nor in competition with, any of the other proposals which have been made.

Our resolution is clearly complementary, for example, to the sincere efforts being made to resolve the important question of principles. It provides only that the ad hoc committee examine the record as regards

principles with a view to assisting the resumption of negotiations. If some agreement on principles can be reached in the First Committee, this task of the ad hoc committee will be made more easy, but there will remain other questions for its consideration.

The draft resolution adopts a similar approach to the many useful suggestions member delegations have made during the course of our debate. It provides that these should be studied, as part of the examination of ways and means of assisting the resumption of serious negotiations and facilitating the attainment of disarmament.

If at any stage of their work the ad hoc committee should find that they would benefit from having expert advice or opinions, the committee could call in experts whose main qualifications would be their technical competence in the field of disarmament. Provision is made in the resolution for having the "assistance of experts as appropriate".

In preparing our text, the co-sponsors have had the benefit of many helpful comments made both in Committee and in private. We hope we have succeeded in reflecting the strong desire, expressed by the majority of delegations, that something be done to get disarmament negotiations moving.

The Canadian Delegation earnestly commends the proposals in the draft resolution as the best means for achieving that end. If the Committee sees fit to endorse these proposals the possibility of achievement will be greatly enhanced.

DRAFT RESOLUTION ON DISARMAMENT

(Agenda Items 67 and 86)

November 1, 1960.

The General Assembly,

Recalling its resolution 1378(XIV) adopted unanimously on November 20, 1959, which states that the question of general and complete disarmament is the most important one facing the world today,

Recalling also its resolution 1495(XV) adopted unanimously on October 18, 1960, which urges that immediate and constructive steps be adopted in regard to the urgent problems concerning the peace of the world and the advancement of its peoples,

Noting the resolution adopted unanimously by the Disarmament Commission on August 18, 1960, which calls for the earliest possible continuation of disarmament negotiations,

Disturbed that, despite agreement on the common goal of general and complete disarmament, negotiations are not proceeding,

Deeming it essential that preparations should be begun immediately to facilitate the earliest possible continuation of disarmament negotiations,

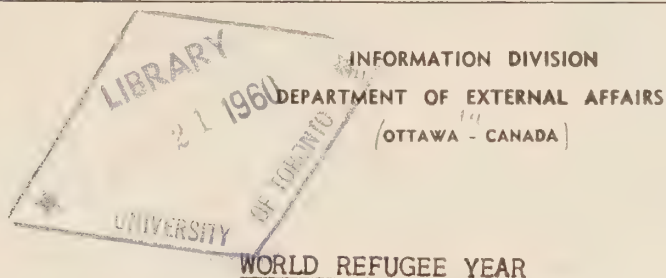
Recognizing that, while the main responsibility for negotiating agreement rests on the military nuclear powers, other states also bear a responsibility and have the deepest interest in assisting to the end that disarmament negotiations can be vigorously and seriously pursued,

1. Reaffirms the continuing and ultimate responsibility of the United Nations in the field of disarmament;
2. Expresses the hope that, in view of the urgency and overriding importance of disarmament, every effort will be made to achieve general and complete disarmament under effective international control by the earliest possible continuation of international negotiations in such body as may be agreed, giving consideration in this regard to the appointment of one or more impartial officers to facilitate these negotiations;
3. Recommends the immediate establishment by the Disarmament Commission of an ad hoc Committee on Disarmament, to be composed of a limited number of states which do not possess nuclear weapons, selected on the basis of equitable geographical distribution;
4. Requests the ad hoc Committee, with the assistance of experts as appropriate, to examine urgently ways and means of assisting the resumption of serious negotiations and facilitating the attainment of the goal of general and complete disarmament under effective international control, on the basis of available documentation, including the records of the present session of the General Assembly, with special reference to: (a) the important question of principles which should guide disarmament negotiations; and (b) the specific suggestions made by member states during the present session of the General Assembly with regard to disarmament;
5. Further requests the ad hoc Committee to consult as appropriate with the four governments which established the Ten-Nation Committee on Disarmament, and to report to the Disarmament Commission not later than April 1, 1961.



CANADA

STATEMENTS AND SPEECHES



No. 60/37

WORLD REFUGEE YEAR

Statement by Mrs. H.H. Steen, Canadian Representative
on the Third (Social, Humanitarian and Cultural)
Committee of the United Nations, on October 27, 1960.

At its thirteenth session in 1958, the United Nations General Assembly adopted a resolution that brought into being World Refugee Year. That resolution, 1285 (XIII), sparked one of the most far-reaching co-operative efforts in the humanitarian field the world has ever seen. As originally conceived, World Refugee Year aimed at focussing world attention on the problem of refugees - all refugees and not simply those coming under the mandates of the United Nations High Commissioner for Refugees and the United Nations Relief and Works Agency for Palestine Refugees. It was hoped that, by stimulating an interest in refugee problems, it would be possible to encourage not only additional financial contributions from governments, voluntary agencies and the general public but additional opportunities for permanent refugee solutions through voluntary repatriation, re-settlement or integration on a humanitarian basis.

New Awareness of Refugee Plight

The Secretary-General's report on World Refugee Year, incomplete as it admittedly is, gives ample evidence that these objectives have, in a great measure, been achieved. Through their participation in national committees for World Refugee Year, local committees and other voluntary organizations concerned with refugee questions, millions of people round the world have become aware of the magnitude of the suffering and needs of refugees. This awareness has spurred them to remarkable heights of ingenuity in devising imaginative plans to help meet these needs. It has, of course, been impossible for the Secretary-General to report in any detail on these private efforts but, through our discussions of this report, I am sure that a more vivid picture will emerge.

As a result of the interest in refugees generated during World Refugee Year, the Secretary-General has been able to report so far a total of approximately \$80 million contributed, pledged or raised from all sources, in cash and kind, in addition to the sums normally contributed and raised each year for refugees. These contributions come from governments, national committees, local voluntary organizations and

international voluntary agencies that are members of the International Committee for World Refugee Year. Another \$1 million is expected from the Stamp Plan sponsored jointly by the United Nations High Commissioner for Refugees and the United Nations Relief and Works Agency. The major contributors to these impressive figures -- the United Kingdom, the United States and Austria, to name only the top three -- deserve our congratulations. At the same time, I think we owe a special debt of gratitude to others who, despite the hardships in their own countries, have willingly and eagerly made their contribution to the success of the Year. As the Secretary-General reported, "one of the outstanding characteristics of World Refugee Year is that even economically less privileged countries of Asia and Africa, sometimes burdened with refugee problems of their own, made their modest, but generous, contribution to reduce the burdens of others".

In the section of his report on voluntary repatriation, re-settlement and integration, the Secretary-General has noted as one of the most significant achievements of World Refugee Year the new opportunities made available by governments for settling physically and socially handicapped refugees. His generous reference to my government's contribution serves to emphasize our interest in making the most effective contribution possible, not only to programmes of material assistance through annual financial contributions, but to permanent solutions of refugee problems.

A Canadian Contribution

As I mentioned in my statement on the Report of the High Commissioner for Refugees, my government took a number of special measures to help achieve one of the High Commissioner's main objectives during World Refugee Year - the closing of the refugee camps in Europe. To mark the official end of World Refugee Year, it contributed \$1 million in wheat-flour to UNRWA over and above the ~~10 million~~ contribution in cash ~~and which it had been making annually to the Agency~~. This special gift has a twofold significance. In the first place, it will help feed the Arab refugees under the Agency's mandate. It will also permit UNWRA, with the money that would otherwise be spent by it on food purchases, to build, equip, staff and maintain for three years two vocational training centres for young Arab refugees. These two schools, which will provide technical training for perhaps 500 students each year, will add skilled workmen to the economies of the Middle Eastern countries, thereby making a considerable contribution to the prosperity and stability of that area.

In Canada, the federal government has actively promoted the idea of World Refugee Year. On many occasions both in the House of Commons and before various audiences across Canada, senior members of the government have made speeches to stimulate interest in the needs of the world's refugees. As patron of the Canadian Committee for World Refugee Year, the Governor General has spoken on television to encourage the people of Canada to participate wholeheartedly in the activities of their local committees.

* 500,000
and the earlier special contribution
\$1.5 - million in wheat-flour

Although Canada did not participate in the Stamp Plan, the Canadian Government authorized post offices throughout the country to use a special World Refugee Year postal cancellation during May and June of this year, which read "World Refugee Year - Remember and Give". It was hoped that this would provide in the final stages of World Refugee Year a reminder and an encouragement to the general public to contribute to their local World Refugee Year committee.

Canadian Fund Campaign

For their part, the Canadian people responded to the United Nations appeal for support of World Refugee Year and carried on an intensive fund-raising campaign. This campaign was co-ordinated by the Canadian Committee for World Refugee Year set up by 43 major voluntary and religious organizations. Some 35 local committees were formed to carry on the campaign in their respective districts. The Canadian Committee carried out an intensive publicity campaign involving press releases, publicity brochures and radio and television spot announcements. During one four-month period, it was estimated that over 30,000 announcements had been made on radio and television in support of the World Refugee Year programme in Canada. In addition, mayors and reeves of municipalities across Canada proclaimed the last week of April to be National Austerity Week. During that week Canadians were requested to deny themselves some luxury or pleasure on which they would ordinarily spend money and to send the money so saved to their local World Refugee Year committee. During that week tag days and other methods of fund-raising were employed in aid of World Refugee Year.

The sum collected by these private groups, which has not yet been finally calculated, will be used in assisting programmes carried on by the High Commissioner for Refugees and UNRWA. Thirteen European camps have been adopted by name and will be closed by various local committees across Canada, using part of the "pledged" funds. The Canadian Committee also hopes to allocate a substantial sum towards building and maintaining for several years a vocational training centre for young Arab refugees in Syria. Part of the funds will also be used to assist Chinese refugees in Hong Kong.

Canadian schoolchildren, through the Junior Red Cross, have also been active during World Refugee Year and, as the Secretary-General mentioned in his report, they have been able to collect \$150,000 to help refugee children. Part of this money is to be used to provide two physiotherapists and a school teacher to serve in Hong Kong for the next two years. A part will be used to provide drugs and clothing to children in Greece and Indonesia and a part will help provide milk and protein supplements to refugee children in Tunisia and Morocco.

In carrying on the World Refugee Year campaign, Canadian committees and voluntary organizations received invaluable assistance and encouragement from the High Commissioner's Special Representative for World Refugee Year, who did much to create an awareness in Canada of the refugee problem. Because of his experience, he was also able to help organize the committees to get maximum effect from their efforts.

I have dwelt on the role played by the voluntary groups of private citizens not merely because, in financial terms, they have contributed the most to World Refugee Year but because I think the part they have played represents a major advance for the United Nations and the high purpose of international co-operation which animates this organization. As a result of the general public's direct participation in this United Nations initiative, the lives of millions, both donors and beneficiaries, have been enriched by a closer sense of fellowship. I have no doubt that World Refugee Year has marked the beginning of a continuing and greater interest on the part of the general public in the humanitarian activities of the United Nations.

In concluding, I should like on behalf of the Canadian delegation to commend the Secretary-General for the report which he has submitted on World Refugee Year. We appreciate that World Refugee Year has added to the already heavy burden of his office. His report leads me to believe that he has gladly taken on these additional activities in the great humanitarian spirit which has always animated him in the past. For this we warmly thank him.

s/c



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS,
/OTTAWA CANADA

No. 60/38 ENLARGING THE SECURITY COUNCIL AND ECOSOC

Statement by Mr. Arthur R. Smith, Canadian
Representative on the Special Political
Committee, on November 7, 1960

... We have not spoken until today in order to hear first the opinions of the states of Africa and Asia, which perhaps are most intimately concerned with the problem before us. While the question of expanding the Security Council and the Economic and Social Council is a matter which affects all states represented here, it does have a more direct bearing on those states from areas suffering from inadequate representation, and it is apparent to us that any successful solution to correct this imbalance will have to grow out of a desire by those states who will benefit the most from the enlargement of the Councils.

Before setting out my delegation's views, I should like to thank the distinguished representative of Argentina for his most helpful opening statement recalling the intricate course of discussions during past sessions of the General Assembly on this item on enlargement of the Security Council and ECOSOC. He also made a number of interesting suggestions for dealing with the procedural problems involved in enlargement, on which I should like to comment a little later in this statement.

Welcome for New Members

I think it might be relevant to recall to distinguished delegates here the warm and sincere words of welcome extended by all delegations since the opening of this session to our 17 new member states. Indeed, I am particularly pleased that the representatives of two of these states are now my neighbours on this Committee. When we and other delegations welcomed the admission of these states, we also welcomed the contribution each of them would be able to make to the United Nations, and looked forward to their active participation in our deliberations. It is perhaps significant therefore to point out that the item now under discussion in this Committee involves an active attempt to translate those words into deeds, by giving meaningful opportunities for the new members to participate in the United Nations work.

Inadequate Afro-Asian Representation

The political and economic developments that have taken place in the world since 1945 and the great increase in the number of member states have created a situation by which the composition of the two Councils of the United Nations no longer adequately reflects the interests of Africa and Asia. The Canadian delegation has long believed that these countries were not proportionately represented on the Councils, and that the only satisfactory way to remedy the imbalance was to enlarge their membership to an extent consonant with efficiency of operation. It seems incredible that this legitimate wish on the part of the majority of states represented at the United Nations has been frustrated these past five years; that debates on the subject have been diverted into fruitless examinations of unsatisfactory substitute half-measures that would only postpone a realization of proper representation for all areas; and that action has sometimes been prevented for the most irrelevant of reasons. As has been so clearly stated already, if we question the legality of an Assembly decision reached without the participation of a non-member, we shall have to be consistent and question every other Assembly decision reached since 1945. But the large number of new members at this session makes it urgent and imperative that we make progress now. My distinguished colleague from Nigeria has already made eminently clear that the under-representation of Africa cannot be permitted to continue any longer, while other delegates have drawn attention to the fact that postponement of a decision will only prolong unnecessarily the inevitably deliberate procedures of Charter amendment.

First Things First

In this connection, I should like to call attention to the suggestion of my distinguished colleague from Argentina that, since Article 108 of the Charter comprises a two-stage procedure for amendments, we in the Assembly should get on with the first stage without delay and adopt an amendment acceptable to all parties. Then will be the time to concern ourselves over obtaining ratifications, when we are halfway to our goal. In this respect, Article 69 of the Charter could perhaps be of aid in bridging the interim period between voting and ratification, by enabling additional representatives from the now under-represented areas to participate in the deliberations of ECOSOC prior to their formal election.

It is quite clear from the statements made so far on this item that it is generally recognized that the African and Asian areas are at present seriously under-represented on the Security Council and ECOSOC, and that additional seats should be provided for these areas. I think that the statements have also reflected a primary interest in the enlargement of ECOSOC which, as a functional body, is of very immediate practical value in assisting the development of new states. Also, because the

membership of ECOSOC is not restricted by specific Charter rules or other formal conventions regarding membership, it may be less complicated to adapt to present-day political realities.

Attack Easier Obstacles First

We are then agreed that the African and Asian areas are inadequately represented on the Councils. Since it has also been, I think, demonstrated that we must make real progress at this session, I suggest we should proceed first in the direction where the obstacles or possible areas of disagreement are least evident. If politics is the art of the possible, we should then perhaps not try to solve both the most difficult and the easiest aspects of this problem all at once. It seems to my delegation that the outlook this year for enlargement of the Security Council is not too encouraging, in spite of the valid reasons advanced for the necessity to reform in this direction. Major political differences inevitably become involved with the purely procedural aspects; and we fear that resultant disagreements with respect to one objective might seriously prejudice reaching a satisfactory solution this year for the other.

Alternative Courses Open

It is therefore up to this Committee to determine by what procedure we can adequately satisfy the objective so overwhelmingly expressed here. There are several alternatives open to us which have been suggested during the course of this debate:

The first is: Observer status, as authorized under Article 69 of the Charter - Representation of this type would be without voting privileges and could therefore, I think, be regarded only as an interim solution. My delegation could not look favourably on any attempt to create in this way a kind of second-class membership for any sovereign state. We could possibly envisage some interim arrangement through observer status that could enable additional representatives to participate in the deliberations of ECOSOC between the time of Assembly approval of additional seats and completion of the ratification process. We repeat, this suggestion could only be considered as an interim measure.

The second
alternative

is: Redistribution of existing seats - This second alternative does have the advantage of not requiring Charter amendment, but would, of course, require approval of two-thirds of the member states. Previous speakers have called attention to an important disadvantage of this procedure - the

fact that an old injustice would merely be replaced by a new one. This procedure would not, I think, contribute to a harmonious and lasting solution. On the contrary, I fear it would arouse the determined opposition of a formidable number of member states, all of whom are naturally obligated to defend their own regional interests. It might also be a bad precedent, which would give all areas a feeling of insecurity regarding their entitlement. Any attempt to raid these seats would likely arouse far more widespread opposition than has ever been shown toward proposals for simple enlargement. We should also agree with the distinguished representative of Guinea that re-distribution without enlargement could not provide sufficient seats for a satisfactory representation of Africa and Asia.

Perhaps distinguished delegates would permit me to recall, for the record, the present distribution between areas of seats in ECOSOC. The 18 seats are now held as follows: 5 for the permanent members of the Security Council (who are not counted in the area groups because of their special responsibilities); Latin America, for 20 states, 4 seats; Western Europe, for 17 states, 3 seats; the Commonwealth, for 11 states, 1 seat; Asia, for 14 states, 2 seats; the Middle East and Africa, for 30 states, 1 seat; and Western Europe, for 8 states, 2 seats. Now, I do not want to suggest that the sole criterion for electing members to ECOSOC should be equitable geographical distribution. Although the Charter lays down no criteria for membership, ECOSOC, in our view, cannot function efficiently unless a reasonable balance is maintained between the contributing and receiving countries. Distribution of seats should therefore in our view take account of both regional and functional considerations.

The third
alternative

is: Enlargement - Various statements made before this Committee have suggested six to be an equitable number of additional seats for ECOSOC. My delegation sees expansion of ECOSOC as the only method of assuring adequate representation for all areas, while maintaining some balance between the donor countries and the recipient states in international economic aid programmes under United Nations auspices. We believe that enlargement of Council membership is, in view of the vast increase in United Nations membership since 1945, the only answer to the problem of making the Council an effective organ for carrying out the obligations placed upon it under Chapters IX and X of the Charter.

It has been stated at previous sessions that enlargement was an unattainable ideal in view of the objections raised by a permanent member of the Security Council. It should perhaps be stated again now that no great power can veto a decision of the General Assembly; we have therefore only to develop a united front to reach the two-thirds majority required to approve enlargement. If the support were strong enough at this stage, an almost irresistible moral pressure would surely be exerted to obtain ratification from all the great powers. The suggestion has been made that to bring pressure for a final solution by an Assembly vote was somehow unjustifiable, since it was not a technique of conciliation. Whether one agrees with that view or not, it must nevertheless be recognized as a method of democratic procedure which the Assembly has adopted without protest in dealing with many other perennial agenda items.

The Canadian delegation followed attentively the comments on Friday of the distinguished representative of India. We did not agree with his argument that geographical areas should consider themselves sufficiently represented merely because a permanent member of the Security Council happened to belong to their particular area, but we have a further misgiving arising from his proposal to refer this question to a Charter review committee, or some similar body, such as that envisaged in Res. 1404 (XIV), before Assembly action is taken. The net result of this, in our opinion, is that nothing will be done, for at least another year, to set in motion the process of amending the Charter. When one adds this delay to the inevitable time required in obtaining ratifications under Article 108, it would be another year again before additional members could actually be seated. We believe that the areas of the world now under-represented deserve something better than this. Also, we hope we did not misunderstand his recommendations to imply that responsibility for solving the problem before us should not be the concern of all the smaller powers of this Assembly, but should be left solely in the hands of the great powers through a small Committee. In a matter such as this, in which the interests of all member states are affected, none can afford to abdicate his responsibility.

My government has carefully considered the three alternative solutions so far proposed, and would be prepared to support the draft resolutions now before this Committee for enlargement of the two Councils, as the best guarantee of equitable geographic representation for all, while maintaining the Council at a size consonant with efficiency of operation. Once this has been accomplished, we can then determine the method or system by which these new seats may be distributed.

My delegation has suggested that a concentration of effort on this problem alone, eliminating all unnecessary complicating factors or reference to quite separate questions which have come before the General Assembly, would be the best guarantee of reaching a satisfactory solution. The wide-ranging proposals advanced by the distinguished representative of the U.S.S.R. for a simultaneous alteration of the entire structure of the United Nations should not distract us from the problem before us or delay its solution. The extensive Soviet proposals clearly involve a full-scale re-writing of the Charter, which could not possibly be decided by this Committee. They would require a formal conference on Charter review, provision for which is clearly made under Article 109 of the Charter, to which our attention was drawn by the distinguished representative of Indonesia. In actual fact, the General Assembly adopted a resolution (A/4199) at the fourteenth session which requested the Committee on Arrangements for a Charter review conference to report with recommendations to the General Assembly not later than at the sixteenth session. Therefore, we suggest that the Soviet proposals might be more appropriately held over until that time.

It is our view that, since the world is divided into geographical areas corresponding to different traditions and national interests, the main organs of the United Nations should reflect this fact as well as the specific criteria of individual membership either as laid down in the Charter or established by past performance through functional contributions. We cannot, therefore, understand the Soviet desire to reorganize the basis of representation here along lines of massive power blocs. This classification is not only completely at variance with the principles of the Charter that seek the harmonization of nations, but it would also have the effect of enshrining a formal and totally artificial division of the world in terms of defensive alliances or of political differences which we must all hope to be merely temporary. Since this Committee is examining a proposal for Charter amendment, we should use extreme care to maintain the Charter as a document that embodies firm principles but recommends procedures elastic enough to meet the needs of changing times.

My delegation is pleased to note that the discussions on this item, with only a few exceptions, have at this session avoided the temptation to lay blame for past failures or to indulge in vitriolic recriminations when setting out our points of view. The real issue has been kept clearly before us, and no time has been lost in the by-ways of procedural arrangements that must follow, and not precede, agreement on whether or not to enlarge the Councils. We sympathize with the natural and clearly-expressed desire of the many new states to take some concrete steps forward at this session. We cannot agree with those who discourage any attempt to amend the Charter, simply because we were not successful at previous sessions. The admission of 17 new states to this Assembly is reason in itself for prompt

and decisive action, for in expanding the Councils we are not only correcting the imbalance of the present, but providing positive assurance to those yet unborn member states that they will have an opportunity to make an effective contribution to the work of the United Nations.

We cannot therefore deny the reasonable expectations of any given group of member countries to adequate representation on a continuing basis in the major organs of the United Nations, and my delegation is therefore prepared to support those wishes, as set out in the two resolutions before this Committee.

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STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
(OTTAWA - CANADA)

DEC 10 1960
UNIVERSITY OF TORONTO

No. 60/39

DISARMAMENT - THE SENSE OF URGENCY

Statement on Disarmament by Mr. Howard Green,
Secretary of State for External Affairs in the
First Committee on November 14, 1960

... The Committee will recall that, on 1 November, I explained that the Canadian Delegation had decided, in co-sponsorship with the Delegations of Norway and Sweden, to submit the draft resolution which is now before the Committee as document A/C.1/L.255. I have asked to speak at this time in the belief that it might be helpful to the Committee if I were to review briefly the main purposes of the draft resolution. I am particularly happy to speak now, after hearing the speech of the representative of Iceland. It was to allow time for this effort by Norway, Sweden and Canada at a compromise to succeed that the three co-sponsors have not pressed for an early vote on their draft resolution.

You will remember that, in my remarks on previous occasions, I pointed out that we would be delighted to get suggestions; that we were putting forward our proposals for the consideration of the Committee, but that they were not hard and fast, as we were very anxious that suggestions should be made. For that reason, I am particularly happy that the representative of Iceland has followed that suggestion, and has commented today on this resolution. In so far as his proposed amendment deals with a chairman, a vice-chairman, and a rapporteur, we agreed, and we think that the chairman of the Disarmament Commission, Mr. Padilla Nervo, would be an excellent chairman.

The essential difference between the proposal made by Iceland and that proposal made by Norway, Sweden and Canada is that Iceland has left out the provision for an ad hoc committee. Now, this change is a matter of argument, a matter for consideration, and in the course of my short remarks this morning I propose to give a few reasons why we think there is great value in having such an ad hoc committee appointed by the Disarmament Commission. But before I go on to do that, I would emphasize again that it was not the intention of the three co-sponsors to introduce controversial proposals.

Our sole object is to bring about a constructive result in this debate. We are aware that other members of the Committee, and notably of course India, are seeking to evolve a compromise formula on principles, and that some progress is being made. We warmly applaud this painstaking effort which, if it succeeds, will greatly facilitate the resumption of negotiations. Negotiations in the future would surely benefit from having, as a new point of departure, a unanimous recommendation on principles by the General Assembly.

Importance of Renewed Negotiations

Even with agreement of principles, however, it is generally recognized that, in view of the recent presidential elections in the United States, some delay can be expected before negotiations are resumed between the major military powers. But because this delay in the main negotiations seems unavoidable, this does not mean either that preparations for resumed negotiations should be left in abeyance or that international interest in disarmament issues should be relaxed. Indeed, it may be more important than ever to focus world attention on the problem during this intervening period; to fail to do so would be to invite a dangerous situation in which the governments mainly concerned would be less responsive to the world-wide demand for action on disarmament. In the view of the Canadian Government, it is essential that preparations begin immediately to facilitate the resumption and continuation of negotiations. This reflects our concern and conviction, as a middle power, about the prevailing deadlock on disarmament. We firmly believe that all non-nuclear powers share that concern and also that they have responsibility for maintaining momentum in the search for disarmament agreements.

Duty of Non-Nuclear Powers

No government, large or small, can afford to ignore these issues which vitally affect peoples all over the world. Humanity expects, and has a right to expect, that there will be no prolonged period of inaction. These are the underlying purposes of the three-power draft resolution. The preamble clearly reflects the concern about the interruption of the negotiations, the essential need for immediate preparations for their continuation, and a recognition that, while the main responsibility rests on the nuclear powers, all other states have a responsibility and have the deepest interest in ensuring that negotiations are vigorously pursued.

Three-Power Resolution

To meet the essential need, and to give expression to the responsibility and concern of all nations, the operative part of the draft resolution submitted by Norway, Sweden and Canada provides for the following:

Firstly, the continuation of international negotiations in such body as may be agreed. The representative of Iceland, in his proposed amendment, recommends that these negotiations be continued in the 10-Nation Committee, and you know...we have thought that that would be the sensible forum. However, our resolution reads "in such a body as may be agreed", that is, by the four powers which set up the original Disarmament Committee, or as may be agreed by all the members of the Disarmament Commission.

Secondly, it provides for consideration of the appointment of one or more impartial officers to facilitate these negotiations. We have not, of course, gone into detail such as has been given by the representative of Iceland, but as I have explained at the opening of my remarks, we are in agreement with the suggestion that he has made.

Thirdly, we propose the immediate establishment by the Disarmament Commission of an ad hoc committee. This, of course, is where we differ from Iceland.

Fourthly, we propose the urgent examination by the ad hoc committee of ways and means of assisting in the resumption of serious negotiations and facilitating the attainment of the goal of general and complete disarmament under effective international control. That would be the main task of the ad hoc committee, to take steps to help bring about a resumption of negotiations.

Fifthly, we ask for consultations as appropriate by the ad hoc committee with the four governments which established the 10-Nation Committee. Of course, as our draft resolution recognizes, the main responsibility rests on the nuclear powers, but what we seek to ensure by proposing the ad hoc committee is that the responsibility and the interests of other states can be brought to bear in a concentrated form with a view to assisting those who have the main responsibility and with a view to preserving the ultimate responsibility for disarmament which rests with the United Nations.

Ad Hoc Committee Proposal

In their consultations with other delegations, and in preparing to present the three-power draft resolution, the co-sponsors Norway, Sweden and Canada, have taken full account of the efforts to evolve a middle position on principles. Success in that direction would reduce one formidable obstacle to renewed negotiations and would ease the responsibility which the three-power draft resolution seeks to give to the ad hoc committee. Quite apart from principles, it is very apparent that the ad hoc committee would provide an effective working body for studying and

developing the useful suggestions and proposals advanced in the course of this debate -- and there have been useful suggestions advanced by the different representatives who have spoken in this debate in the First Committee. It can perform such other tasks as the Disarmament Commission might assign to it. It would, of course, be a committee -- a small committee -- of the Disarmament Commission.

This would give practical effect to the responsibility of the Disarmament Commission which, as I have said, would set up the ad hoc committee and receive reports from it.

The draft resolution seeks to ensure, through the activity of the ad hoc committee, that the General Assembly's call for the earliest possible continuation of negotiations is heeded. We are trying to avoid a repetition of the situation which followed the Disarmament Commission's meeting in August when, as you know, despite a unanimous resolution calling for negotiations, no negotiations ensued.

Cause for Hope

There is some promise in recent events that efforts here and the universal desire for progress on disarmament will yet yield results. We must not be down-hearted in regard to this problem of disarmament. In his message of 9 November to President-elect Kennedy, Premier Khrushchov stated his readiness to continue efforts to solve the pressing problem of disarmament. Mr. Kennedy, for his part, has publicly reaffirmed his conviction that the achievement of controlled disarmament is a necessity to guarantee world peace. These public undertakings are heartening, very heartening, and I am sure are warmly welcomed by all members of this Committee. They should mean that the hope expressed in the second paragraph of the three-power draft resolution will be realized. The aim should be, and this our draft resolution seeks to achieve, to see that hope realized in the shortest possible time.

Minimum Immediate Objective

In the meantime the sense of urgency must be sustained, and all opportunities for useful preparatory work must be seized. That is why I appeal to all the non-nuclear nations to support the proposals submitted by Norway, Sweden and Canada. This is the time to establish effective United Nations machinery for keeping the focus of international attention squarely on the problem of disarmament and for striving to break the present dangerous deadlock for which the nuclear powers must bear the main responsibility. Unless the non-nuclear powers seek this minimum objective they will have abdicated their share of the grave responsibility and, furthermore, I suggest, will have forfeited their right to complain about the dangers of the situation or to participate in the search for a remedy.

It does without saying that my appeal is directed also most earnestly to the nuclear powers. They have avowed their interest in reaching disarmament agreement, but have failed to attain it, and they should be prepared to welcome any assistance from any quarter. Our draft resolution offers a means.

In recent years anxiety has been growing about the spread of nuclear weapons. It has become increasingly apparent that the 95 non-nuclear nations would not allow the nuclear powers to retain indefinitely their nuclear monopoly. It is estimated that in a very short time no fewer than 15 countries will have the scientific and industrial capacity to join the nuclear club. That club is rapidly becoming, or may rapidly become, not an exclusive club of four members but the least exclusive club in the world, and we all know what that means. It is quite obvious that time is running out. With each passing day the dangers and the difficulties multiply. It is quite intolerable that the United Nations should simply watch and wait while the disarmament impasse continues and the threat to the survival of civilization grows more menacing.

S/C

1. The first part of the paper discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the success of any business and for the protection of the interests of all parties involved.

2. The second part of the paper discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the success of any business and for the protection of the interests of all parties involved.



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS,
OTTAWA - CANADA

No. 60/40

UNESCO COMES OF AGE

An address to the plenary meeting of the eleventh session of the UNESCO General Conference on November 22, 1960, by Mr. Marcel Cadieux, leader of the Canadian delegation.

... It gives me great pleasure to be able to report to this conference that during these last two years there has been a very considerable increase in interest and in activity in Canada in UNESCO affairs. The Canadian National Commission for UNESCO, created at the end of 1957, has during this interval been briskly getting on with its important tasks of collaborating with UNESCO, and in bringing the work of the organization to the attention of the appropriate Canadian institutions and organizations, and to the interest of the Canadian public generally. The Canadian National Commission for UNESCO has been particularly successful in organizing the many and varied resources in Canada, whether governmental or private, to advance the purposes of UNESCO's East-West major project - the mutual appreciation of Eastern and Western cultural values. For example, the co-operation of the National Film Board and of the Canadian Film Institute was secured to compile a catalogue of films on Asia available in Canada; and the Canadian Broadcasting Corporation has been active in producing special radio projects on this theme. The National Gallery of Canada and other organizations have undertaken special activities on the East-West theme, and the National Commission has sponsored a variety of conferences which we think have successfully stimulated a wide Canadian interest in this important part of UNESCO's programme.

Canadian Programme

We are informed that there has been a steady increase in Canada in sales of and in subscriptions to UNESCO publications. Over the last two years, moreover, Canada has profited from a number of important international meetings organized or sponsored by UNESCO. The Canadian Commission has also developed close relations with other national commissions throughout the world, and Canada has continued its important duty in providing facilities for the reception and the training of UNESCO fellows from other countries.

Adult Education Conference

In August of 1960, Canada was honoured and happy to serve as the host country to the World Conference on Adult Education, a conference which, perhaps more than any other single factor, brought to the attention of Canadian citizens the nature and quality of UNESCO's responsibilities. This conference in Montreal, which we are most happy to have been assured was highly successful, aroused great interest not only among the many organizations in Canada concerned with adult education; the progress of the conference also received wide-spread and intelligent notice in the Canadian press, and brought an important part of the work of UNESCO to the interest and notice of the Canadian public which, from this educational conference, received itself a very helpful education in the work and in the objectives of UNESCO. Finally, this last summer, also, a Canadian permanent delegation was appointed to UNESCO headquarters in Paris.

Fifteen Years of UNESCO

Canada in 1945 was one of the 47 founder states of UNESCO and has been, over the years, a strong supporter of UNESCO's activities and purposes. Reasons which led Canada to the conviction that the work of UNESCO was of the greatest importance are still valid 15 years later, and indeed they now carry much more weight. UNESCO, in 1960, is immeasurably stronger than it was 15 years ago; stronger in resources, in membership, of course, and, what is of great importance, stronger in experience and confidence. Over these years Canada has been by no means a purely passive or uncritical advocate of UNESCO's activities. With other member countries, we have had from time to time apprehensions that the necessarily limited resources of UNESCO were in some danger of being spread over too many unrelated activities, and that on occasion the programmes of UNESCO appeared to be unduly ambitious in relation to the financial and not infrequently to the human resources available for projects which may have seemed desirable in themselves, but threw too great a weight of responsibility and of labour upon the growing organization. It is, of course, the duty of a god-parent to keep a careful eye upon his god-child; and this we have done always, I trust, in a spirit not of unhelpful criticism, but rather of affectionate but prudent goodwill.

Budgetary Matters

At the appropriate time, the Canadian delegation will have something to say in detail about the proposed programme and budget under items 15, 16 and 17 of the agenda. While we have been able to support the U.S. proposal as to the provisional budget level, we expect that the detailed examination which is to be carried out in the course of this conference will show that a serious effort has been made to eliminate projects of doubtful value and urgency, and that the proposed increase in staff and programme expenditures are justified.

Canadian delegations over the years have consistently urged upon UNESCO the necessity of concentrating its resources, of establishing firm and workable priorities for programmes, and of putting them into effect with a reasonable regard for economy. In view of the very considerable resources which it seems likely will be made available to UNESCO through the Special Fund and through the Expanded Programme of Technical Assistance, we trust that there may be found considerable support for the view that the technical assistance programmes of UNESCO should now be considered with the greatest care, so that these principles of concentration, of priorities, and of economy may be held in due regard.

Cause for Concern

I must confess that we find it somewhat disturbing to know that the various Specialized Agencies which draw very substantially from the Special Fund and from the Expanded Programme should be at the same time financing a growing number of technical assistance programmes through their own budgets. What gives Canada, and this delegation in particular, some concern has been the consistent increases in budgets of the Specialized Agencies while at the same time Canada, and other countries of course, have been increasing substantially their contributions to the Special Fund, the Expanded Programme and to other centralized agencies. For example, the Canadian subscriptions to the International Bank for Reconstruction and Development and the International Monetary Fund were recently more than doubled. The Canadian Parliament has approved Canadian membership in the International Development Association to provide capital to the less-developed countries. Canada will subscribe \$37.85 million to the International Development Association; and Canada is also contributing \$2 million, as the fifth largest contributor to the Special Fund, and a further \$2 million to the Expanded Programme as the third largest contributor. Continued support by governments for United Nations aid programmes will depend to an important extent on the ability of the United Nations and its Specialized Agencies to administer the funds made available to them in a rational and efficient way. It is the Canadian view that a rational and efficient system of administration is more likely to be developed if the aid funds made available to the United Nations are channeled through centralized agencies.

Although, therefore, the Canadian delegation supports the provisional budget level approved by the conference we, and no doubt many others, propose to examine both in detail and in principle certain of the proposals which have been laid before us. It is certainly true that the great majority of UNESCO's proposals have commended and do commend themselves to the approval of the Canadian Government. This does not alter the fact that, with steadily increasing commitments to United Nations funds and to the budgets of Specialized Agencies, many national governments, including that of Canada, will have to consider very carefully their views on the most effective methods in which their funds available for international purposes can be expended.

Special Questions

In this connection, I might briefly note that, among the proposals which my delegation will wish to examine with care, are those regarding UNESCO's relations with the International Development Association and the United Nations civilian operations in the Congo. While there can be no doubt that UNESCO has an important and helpful role to play in both these fields of activity, it might be that the specific proposals which are before the conference at this time are somewhat premature. To these, as well as to other matters, my delegation will be giving attention as the conference proceeds.

UNESCO's Best Role

I have observed that the great majority of UNESCO projects commend themselves to the Canadian Government. In co-operation with the Canadian National Commission for UNESCO, we have carefully examined, as indeed have other delegations, the programme and the budget for 1961-1962. While we are in agreement with our Canadian National Commission for UNESCO that, in general, both the projects concerned and the planning for them have been clearly stated by the Director-General, we shall naturally have observations to make on a number of the projects planned for the next two years. It is our view that UNESCO plays a most helpful role when it gives assistance to international associations concerned with parts of the total areas with which UNESCO is concerned. We hope that UNESCO's relationship with such organizations as the International Association of Universities, the World Confederation of Organizations of the Teaching Profession, and the World Federation of United Nations Associations will be continued and strengthened. And we are pleased to notice the Director-General's happy phrase that ". . .the whole range of the organization's administration must first be welded into a consistent whole". With this objective in mind, and armed with the excellent, if somewhat voluminous, documentation which is characteristic of this eleventh session, we are looking forward to subsequent debates with the liveliest interest and pleasure.

New Dimensions

At the National Conference of the Canadian National Commission for UNESCO, to be held in February of 1961, it is proposed to take as the general theme "New Dimensions in International Relations", with particular reference to the work of UNESCO. It seems to the Canadian delegation important to realize that these new dimensions in international relations are already apparent to us; that there has developed through UNESCO and through other international agencies a new sense of joint partnership so that no longer is the invidious distinction made between contributing and receiving nations. It is the convinced view of the Canadian delegation that we here at this conference are engaged in a joint partnership as citizens, not only of our own countries, but in a larger sense as citizens of the one world which we all must share. For our part, we welcome this

opportunity of association with all peoples of the world, all of us no doubt with somewhat special problems of our own, but all of us united in the belief that solutions to the world's problems must be the consequence of joint action, of joint discussion, of reason, of persuasion, and of a sense of world community which, it is our conviction, UNESCO of all the United Nations agencies has perhaps the greatest responsibility and the greatest opportunity to further.

S/C



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 60/41 FOUNDATIONS OF CANADIAN EXTERNAL POLICY

An address by Prime Minister Diefenbaker to
the Canadian Club of Ottawa on November 24, 1960.

... I am going to speak generally of Canada's external policies, but with specific reference to three essential foundations of those policies - the Commonwealth, the United Nations and NATO.

Of the Commonwealth I will say nothing more than this:- that stronger than ever before is the relationship between the members of the Commonwealth. In the month of March, or possibly April, 1961, there will be held a further meeting of prime ministers of the Commonwealth. Matters that you and I know will come before that conference will either strengthen or weaken the position of the Commonwealth in the years ahead. I believe, however, in that spirit that has characterized the Commonwealth in the past as it meets changing and changed conditions, without any formal agreements, and without any compulsion. The Commonwealth brings together more than 550 million people united in a common dedication to those principles of freedom which today are so necessary to maintain and which give to the Commonwealth that unity in all parts of the world that provides an answer to the Communists wherever they may be.

All of you have been following the present session of the United Nations General Assembly. It opened at a time when all that remained of the "summit" was a rubble of disappointed hopes. Disarmament negotiations had been brought to a stop. Berlin was again a source of discord and danger. Peace was threatened in the Congo and in Laos. Nothing that was occurring at that time gave any hope of reducing, much less removing, the possibility of a miscalculation by one side or another which would result in world catastrophe.

Peace Still Precarious

What of the intervening months? What are the hopes of mankind today? There has been no significant or immediate change for the better. Peace continues to be dependent on the precarious premises and unpredictable personalities in Moscow and Peking. The best that may be

said today is that we are at the corssroads. We either go forward in the months ahead to greater harmony, or we relapse into still greater tension.

Shadow of Fear

I would recommend to you, gentlemen, if you want to get a picture of the situation in the world today, to read those magazines that come from China. The aggressive declarations of the leaders of mainland China in tone and content cast a frightening shadow of fear over mankind. Their views are threatening and the necessity of a realistic review of the situation becomes necessary and mandatory. There is no doubt that Canada has a vital interest in the future character of the relations of mainland China to the general stream of world politics. So vast and almost numberless a people cannot be ignored. The world is too interlocked with its common dangers to exclude almost one-quarter of the human race from the areas of major political settlement.

You saw what happened at the United Nations - the histrionic bluster of Chairman Khrushchov, his smiles and his sneers, even to the accompaniment of pounding shoes. This and the riddle of the Soviet relationship with Communist China in recent months, as well as the language of Peking, bellicose and threatening, assail us with fears and potential dangers.

There has been some easing of tension. Mr. Khrushchov has postponed for some months the Berlin question. The nuclear testing talks at Geneva are beneficial and hopeful, but these things are offset by the refusal of the Soviet Government to face the central issue of disarmament -- international inspection and control.

Khrushchov's Purpose

The United Nations meets and the discussions take place, representative of most of the earth. What are the results that flow from that Assembly meeting that is still continuing? I think Mr. Khrushchov came to New York to make up for lost ground. He said he came to discuss disarmament. Well, all he did while there was not discuss disarmament but endeavour to cripple the effectiveness of the Secretary-General's office. He tried to secure support to bring about a three-man praesidium of East, West and neutral in the place of the Secretary-General, an arrangement under which unanimous consent would be required before any action could be taken.

By this, Chairman Khrushchov would have debased the Assembly, he would have diminished its dignity, he would have paralyzed its authority. He denied the impartiality of the Secretary-General. There was no possibility of this being accepted by the Assembly.

Why, then, did he take this course? That will always be a matter of difficulty. Was he building for some other plans? Was he endeavouring to undermine? Was he in fact fearful that in the years ahead he would again be thwarted by the Assembly? The Congo situation at the time was very serious.

I digress for a moment to say this - that during the past three days the situation in Leopoldville has been dangerously tense. The Government is in hourly touch with the situation. In a state of affairs charged with emotion, when there has been a breakdown of civil authority, there is no possibility of assuring that there will not be a renewal of violence. However, more hopefully I can say this about the Canadians serving over there, on the basis of reports from the Canadian representatives in Leopoldville and at the United Nations - that necessary precautions have been taken to ensure a reasonable degree of security for the United Nations Force. The Force is in a state of alert. The Canadian contingent has been authorized to take those measures that are necessary in self-defence.

All of us can but hope that those who today serve in that international force for Canada will be protected and preserved. They are there for the maintenance of order. Inevitably they are faced with risks. These risks are inescapable. They represent the human price that must be paid in the discharge of essential international obligations.

The United Nations

And now, what of the United Nations?

I saw it born. I remember well in San Francisco in 1945 the hopes and aspirations of all mankind. They were embodied there, as the representatives of Canada, the United States, the United Kingdom and France and other nations gathered together. I believe the United Nations today is facing its greatest challenge. I do not think that Mr. Khrushchov made any particular impression on the Asian or African delegations by his proposal for a praesidium. I do not think those nations rely on the U.S.S.R. to defend and protect their independence; they know that the U.S.S.R. today endeavours to take over the souls of those peoples yet uncommitted. But I do believe this - that those nations have been attracted and encouraged by the idea of having more influence in the administrative branch of the United Nations. This is something that we must face in the days ahead, for the West no longer has a majority in the United Nations and I think changes will have to be made.

As far as we in Canada are concerned, we have taken the stand that the Security Council and the Economic and Social Council should be enlarged, to the end that proper representation, geographically and culturally, may be achieved.

Outlook for Disarmament Unencouraging

In the field of disarmament, the outlook is not very hopeful. One has only to go back to those years before the Second World War. Read for a moment the message of President Roosevelt at that time to the nations of the world in 1933. The hopes of that day have been dissipated in the light of subsequent experience. Today over mankind hangs this nuclear fear. What is our stand?

We have continued to press for disarmament, without which there cannot be survival, for, sooner or later, if the armament race continues, either by calculation or miscalculation war must almost inevitably follow. We have taken a stand for an end to nuclear weapons, an end of testing, an end to the production of fissionable material for weapons, and for the transfer of existent fissionable materials to peaceful purposes. We have taken a stand for internationalization of outer space, without which there cannot be hope for mankind a generation hence. We have, at the same time, demanded that there shall be full inspection, to the end that disarmament agreements will be carried out according to the pledged word.

NATO

Now what about NATO?

Until these measures for disarmament are achieved, Canadians must maintain their defences and all the nations of the free world must give full and first place to the requirements of security. I have noticed some people saying that Canada should withdraw from NATO. That I cannot accept.

I believe that NATO is, and will remain, an association where Canada belongs. It not only meets the criterion of self-interest from the point of view of military defence. It is a group of nations, strong of purpose, sound and good in motive, respectful of free institutions, and representing collectively those heritages that are part of our civilization. It has proven to be an impregnable bulwark for freedom. Its function today is as imperative as ever.

Changes Must be Made

We must not and dare not discard it. But that does not mean that changes do not have to be made. It is but reasonable that an organization designed to meet the fears and formulas of the 1950's may not be wholly appropriate for the threats and hopes of the 1960's.

NATO has to be revitalized. It has become secondary and commonplace in the thinking of many. Its cohesion and collective understanding must be enhanced. Changes need to be made in the economic field.

We have to endeavour to bring about economic arrangements within NATO that will ensure that the nations which stand for freedom will not by economic action weaken their neighbours and those associated with them in this responsibility.

NATO Triumvirate Opposed

There have been suggestions that we should set up a kind of triumvirate in NATO with Britain, the United States and France determining the course. Canada stands opposed to that, definitely and unequivocally.

We take our NATO commitments seriously. We do not intend to accept a secondary or subordinate position. We believe that the consultative machinery of NATO should be improved.

We believe that the nations within NATO should not take any course that will have the result of diminishing the strength or the purpose or the idealism of the organization as a whole.

Canada Pays Its Way

There has also been some suggestion recently that members may be asked to increase their contributions to NATO. I point out this fact for Canada - that we have at all times maintained our contribution to a degree not exceeded by any other nation.

We have paid a high insurance premium, and I see no reason why Canada should or could contribute more than she has this year and in years past.

We have maintained our strength in NATO. We have supplied air and ground troops. We have made a contribution on a per capita basis of which Canadians as a whole can be proud.

I believe, as I said, that some changes must be made. I think there should be a meeting of heads of government at the earliest possible date.

Strategic Policies Must be Reviewed

There should be a full and considered review of NATO purposes and policies. Indeed, in the last two or three weeks the U.S.S.R. and its satellites and associates have been meeting in Moscow. Our strategic policies must be revised and reviewed in the light of the decisions which come to us as having been made at the Communist conclave which is even now still in session.

Maintain the United Nations; contribute according to our responsibilities; press for disarmament but maintain our defences.

What of the future?

There is a revolutionary turbulence in the world today. Everywhere there is a call on the part of peoples and nations for their independence.

Soviet Versus Western Colonialism

You heard Mr. Khrushchov as he inveighed against the colonialism of Britain and France. Yet since the last war those colonies and dependencies of the United Kingdom and of France have diminished to such an extent that more than half a billion people have secured their absolute freedom. Mr. Khrushchov was not able to give an answer when asked how many human beings had been given their freedom by the U.S.S.R. during the same period of time.

We live under a continuing nuclear threat. It touches the hearts of Canadians. The question is asked: are you going to provide nuclear weapons for Canadians? Gentlemen, the responsibility resting on those who have authority, as a trust from the people, knows no greater or more trying problem than this.

Canada and Nuclear Arms

We have taken the stand that no decision will be required while progress towards disarmament continues. To do otherwise would be inconsistent. When and if such weapons are required, then we shall have to take the responsibility. The future of Canadians requires that we make that decision which, in the light of the best information we have, represents the maximum security for our country. We have made it equally clear that we shall not, in any event, consider nuclear weapons until, as a sovereign nation, we have equality in control - a joint control. In other words, this problem is not one requiring immediate decision. The course to be taken will be determined in the light of what happens in connection with disarmament and in the light of events as they transpire and develop in the months ahead.

The great danger today, and I have found it everywhere, is that our people and the peoples of the free world are becoming complacent. The threat has been there so long that it is becoming commonplace.

I conclude and summarize. The principal aim of Canadian foreign policy is Canadian security in partnership with her friends. It is peace; it is welfare for all peoples, and particularly those who live in under-developed countries in poverty or in a state of retarded development. It is an understanding between cultures, however diverse; human ideologies,

however conflicting. It is the achievement of universal respect for law, for the processes of co-operation and for the peaceful settlement of disputes.

We live in a time of change. The Prime Minister of the United Kingdom said that we live in a time when the "winds of change" are blowing. We hope that new developments will come ushered in by winds of change rather than gales of destruction. My message to you is this - that we, as Canadians, set our Canadian sails, follow and steer a course so that those winds will not become gales. I hope that Providence and human intelligence will together allow these changes to take place without the storm that hovers over the horizon.

S/C



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 60/42

THE BEST IS YET TO BE

Speech by Mr. George Drew, High Commissioner for Canada in the United Kingdom, to the Canada Club of Lancashire, Manchester, England, on November 23, 1960.

... Canada is relatively young as a trading nation in modern terms, but in a large measure we were born of trade. The adventurers of the Hudson's Bay Company, the coureurs de bois, and the great Northern explorers opened a new and unknown continent in the search of trade. The search for profitable trade created settlements from the Atlantic to the Pacific, which, less than a hundred years ago, came together as one nation. We have continued to live by trade.

I wish to express my own conviction at the outset that, with our complementary economies, there is a greater opportunity than ever before to expand the trade between our two countries, far beyond anything we have yet envisaged, to the mutual advantage and increasing prosperity of all our people.

I might well have been tempted to choose as the title for my remarks today "What is Wrong with Trade Between Canada and Britain?". I have become increasingly concerned about newspaper reports which convey the impression that there is something very wrong in the trade relationship between our two countries. I must say I was somewhat startled when I read a report recently in "The Times" which attributed to a well-known manufacturer in this country the statement that "Last year Britain imported £250 million worth more goods from Canada than we exported to Canada". This is only one of several reports I might mention which convey the impression of an increasingly adverse trade balance between Canada and Britain. This has naturally led to the suggestion that steps must be taken to oppose restrictions which some people seem to think have been placed upon British sales to Canada by the Canadian Government.

I am sure that everyone here today realizes how ridiculous it is to suggest that Britain had an adverse trade balance of £250 million with Canada, but unfortunately this statement gained wide circulation in responsible newspapers, and those who are unaware of the facts could only gain the impression that something is very wrong with our trade relations.

I merely mention this particular report because it was perhaps the most striking of a number of careless comments and inaccurate statements which have undoubtedly caused considerable misunderstanding of the real situation.

Nothing Wrong with Trade

The fact is that Britain's balance-of-payments deficit with Canada, which is what really matters in the financing of international trade, was approximately \$50 million in 1959. That is the lowest it has been for 25 years. Our exports to Britain have been increasing rapidly. So have British exports to Canada. The simple truth is that there is nothing wrong with trade between Canada and Britain, except that neither country is selling nearly as much as it should to the other.

We know that there must be a reasonable balance in trade, and we are anxious to see British exporters seize the very great opportunities which exist to take a larger share of our total imports.

Naturally, we want to see our domestic industrial production show the rapid increase which we have every reason to expect in a country where we have the greatest concentration of mineral and other raw materials in the free world along with the industrial energy and the human skill to convert these raw materials into finished products. But we have a very large market, which is wide open to you without displacing a single Canadian product. Last year we imported \$5,509 million worth of industrial and other products from outside Canada. To anyone who asks what can be sold to Canada, I suggest you obtain a printed list of our imports, which is readily available. There you will see the things we are buying which you can make and which we will be glad to buy from you. Last year much the largest part of our imports came from the United States. Their total value amounted to \$3,709 million. You are anxious to see a reasonable balance of trade. So are we. As our total sales to the United States were \$3,182 million, we would be very glad to see your manufacturers help us to balance our trade with the United States and Britain by selling us an additional \$527 million

worth of exports right away. But one thing we must remember is that increased sales, either way, are going to depend upon initiative, competitive prices, and hard selling on the part of companies and individuals in each of our countries.

Much has already been done. I dislike the use of statistics, but there is no other way the story can be told. In 1900 our exports to Britain had a total value of \$96 million. By 1913, the last year before the First World War, they had risen to \$170 million. By 1930 they had reached a level of \$282 million, and last year they were \$794 million. It seems likely that this year they will have a value of nearly \$1,000 million.

British Exports to Canada

These are impressive figures from the Canadian point of view, but we are well aware that they are higher than the figures of exports from Britain to Canada. However, in view of some of the press reports which convey the impression that British exports to Canada are being held back, I think it is important to emphasize that they have shown a steady and encouraging increase. To take the same years as I have already mentioned for Canadian exports, your British exports in 1900 were worth \$44 million. By 1913 this had increased to \$139 million. By 1930 they were \$180 million. In 1956 they were \$476 million, in 1957 \$407 million, in 1958 \$518 million, and last year \$589 million. Nor has that trend stopped. For the first nine months of this year, British exports were \$10 million higher than for the corresponding months in 1959.

In the face of these figures, you will understand why we are both surprised and concerned about the impression which is being conveyed that the Canadian Government has been placing barriers in the way of trade with Canada. The very contrary is the case. In 1957 a trade mission of leading businessmen was organized by the Canadian Government. In many ways it was a unique venture. They were all producers with things to sell. But because they believed in the value of trade between Britain and Canada, and because they were sure that Britain could sell more to Canada, they came here for the express purpose of encouraging British exporters to seek markets in Canada. Surely the results speak for themselves. In the previous year of 1956 British exports were \$476 million. Last year they were \$589 million, an increase of 22 per cent in 3 years.

Source of Misunderstanding

Where, then, does this idea come from that the Canadian Government is attempting to reduce British sales to Canada? Undoubtedly some of it has resulted from a

misunderstanding of an announcement by the Canadian Government that, as of December 1st, 1960, automobiles imported from Britain and the Continent will be valued for duty at 20 per cent under the list price at which a manufacturer sells to a dealer in his home market, unless, and this is an important proviso, a higher discount can be justified on the basis of the manufacturer's sales in his home market. This announcement has attracted a good deal of attention in this country as well as in Canada, and a few words about it are in order to ensure a better public understanding of what it means.

How does this prospective customs procedure compare with what is now in force? Since 1949 British and European exporters have enjoyed a special advantage in the Canadian car market. At that time the Canadian authorities decided that for customs valuation purposes automobiles imported from the United Kingdom and the Continent would be allowed a 30 per cent discount off user list price. You will no doubt recall, as I do, that in 1949 your automobile manufacturers were finding it very difficult to sell in the Canadian market, and there was also a shortage of cars in Canada to meet our demands. That was the reason for this special provision of a 30 per cent discount. What should be recalled is that this was a unilateral concession by Canada, which favoured United Kingdom and European manufacturers over Canadian automobile makers, since no corresponding or similar concession was granted to them.

The law in Canada requires that imports be valued for duty at fair market value in the exporter's home market and the purpose of the Canadian Government's recent announcement was simply to ensure that the discounts allowed on automobiles are in accordance with those prevailing in that home market. It does not seem unreasonable to me that any government should bring its customs practice into line with what the law of the land requires. In fact, it strikes me as quite accurate to describe the Canadian Government's action, as "The Financial Times" did in a story from Ottawa, as a "tightening-up on existing customs practice where this has been lax....".

A Slight Price Rise

This is not to deny that the effect of this tightening-up may result in a slight increase in the price of British cars in Canada. I do not question that possibility, but what I do question are the suggestions that this announcement was designed to decrease British exports to Canada. It is by no means clear at this time that, in fact, the sales of British automobiles to Canada will be affected by this announcement. Certainly it cannot have contributed to the decline of sales in recent months because the new customs procedure will not come into force until December 1.

It is inevitable that, from time to time, every government is faced with the need to ensure that administrative actions are brought into line with the law. But this is a very different thing from saying that these actions are designed to discourage imports into the country. I have no hesitation in repeating, as I have said on other occasions, that it is the firm intention of the Canadian Government to achieve a greater diversification of its international trade, and that, as an important part of that effort, the Canadian Government has done what it can to encourage increased trade with Britain.

In closing these remarks about the import of automobiles, I should simply add that, for the first nine months of this year, the export of British cars to Canada has again increased over the corresponding months of last year.

I hope that this explanation will dispel the idea that the British automobile industry has suffered as a result of any action by the Canadian Government. We have sought to encourage and will continue to encourage increased trade with Canada. We are gratified by the improvement of the past few years, but we still believe it can be greatly accelerated if many manufacturers, who have not yet attempted to export to our country, will examine the Canadian market, and particularly what we are buying from the United States. What is required is a determined effort on the spot to set up an effective selling organization which will assure prompt delivery, the maintenance of parts, and continuing service on any mechanical equipment which requires special attention.

Far from thinking that we have reached anything approaching the maximum of possible exports to this country, we know from the experience of the past two months that many Canadian exporters, who have not attempted to export in the past, can compete on favourable terms with exporters from any other country. We know that, if we are to see the increase in our exports to Britain which we know is possible, there must also be an increase of exports from Britain to Canada.

Having seen the remarkable increase in trade both ways during the past few years, I do not think it is at all unrealistic to suggest that many who are now at this meeting will see the day when our exports to Britain and your exports to Canada will reach \$2,000 million. Obviously, this thought could not be entertained by anyone who believes that the British or the Canadian economy is in an unhealthy condition.

Canada's Economic Condition

For that reason, I think I should say something of our economic position. With a sad look on their face as though they were about to ask you if the patient has any chance of recovery, I am all too frequently asked the question "When do you expect some recovery in Canada?" I only wish that those who ask that question would visit Canada and see for themselves what is happening there. True, we have had a levelling-out period, and we are not alone in that experience. Our unemployment figures seem high on a percentage basis compared with some other countries. But they are very misleading indeed. We have some very real problems of unemployment related to changing demand and changing methods of production. But it would also be well to bear in mind that we have a substantial measure of seasonal unemployment, which is of a very special nature and cannot be interpreted in terms of reduced production. For instance, all our fishermen on the huge inland lakes from one side of the country to the other, all the men serving on our inland ships, all the people working on the docks and transport installations serving those docks, many people working in the open in parts of the country where it is extremely cold, and others in special occupations of that kind, have been unemployed seasonally in the past, are now, and doubtless will be in the years to come. But from early spring until winter comes again, they have been, they are, and will be profitably employed.

To anyone who thinks that the Canadian economy is in an ailing condition may I simply give these significant facts. More people are employed today in Canada than ever before. The income of our workers is higher than it has ever been. The opportunities for advancement in the years ahead are greater than ever before. Part of the problem of unemployment in Canada today is the fact that we have one of the highest birthrates in the world, which in addition to the large immigration figures since the War, are simply an expression of confidence in Canada's future.

I have mentioned these things because I think it is so vitally important that neither of our countries should under-estimate the prospects for the future in either Canada or Britain. It is not so many years ago that serious writers were expressing the opinion that the strength of the British people had been sapped so greatly by the last War that Britain could no longer be expected in our generation to become a major power. The last ten years have seen the vitality and strength of this country grow by leaps and bounds until today it is one of the most prosperous areas in the whole world.

Future Growth

Nor has any promise of future growth in Canada been diminished in any way. We have soil capable of feeding more than ten times our present population. We have resources which stagger the imagination. We have the greatest known reserves of iron, the most precious mineral of all. If we include the tar-sands of Athabaska, Canada has potential oil reserves exceeding those of all the rest of the world. We supply two-thirds of the world's nickel. We have copper, lead, zinc and all the great minerals, as well as vast resources of the forest. We have huge reserves of electric energy, of coal and of that mysterious mineral, uranium. What a prospect that offers for men and women of vision and courage with the imagination to look into the years ahead! What challenging prospects there are of a great trading partnership between Canada and Britain across the short sea and air routes of the North Atlantic! It is because the opportunities are so great that I hope they will not be obscured in either country by misunderstanding or uncertainty about the value of our close co-operation in the future.

Let us all consciously build a spirit of goodwill based upon a better knowledge of what our joint efforts can do in the years ahead. If we join hands in days of peace as we did in the days of war, then we can say, not merely with hope but with the utmost certainty, "The best is yet to be".

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